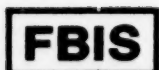


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# West Europe Report

No. 2044



FOREIGN BROADCAST INFORMATION SERVICE

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## WEST EUROPE REPORT

No. 2044

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## PASOK ENERGY POLICIES QUESTIONED

Athens I KATHIMERINI in Greek 3 Sep 82 p 7

[Text] Important questions on the energy policy which the government is following were addressed yesterday by the former minister and deputy, M. Evert, in referring to yesterday's statements by Minister of Energy and Natural Resources Kouloumbis.

In more detail, the statements by Evert are as follows:

Some 15 days ago, I made a statement in which I denounced the mistaken and ill-considered actions taken by the government in the energy sector. And after the passage of so many days in which he was at a loss for words, the minister of energy and natural resources gave thought to replying with arguments which can be characterized only as jokes. In any case, inasmuch as he returns to this subject, I am obligated to submit to him the following questions:

- Should the country's strategic reserves be 3 million tons? And how can it be understood that it is possible for these to be reduced by half at a time when the belligerent situation in the Persian Gulf is continuing?
- As long as the government believes that the proper reserves are 1.5 million tons, why did it proceed with purchases of crude petroleum up to March--an action which now obligates it either to revoke intergovernmental agreements, or to resell petroleum to obtain liquid assets?
- As long as the government maintains that there are no storage areas, why did it give an order to stop the further expansion of these?
- What is the significance of the renting of an oil-fired power plant in Yugoslavia and the transporting of crude petroleum from Greece to this country, and at what price will we be procuring this electricity?
- Why is the Aliverion lignite plant burning petroleum instead of lignite, with so many thousands of tons of petroleum having been consumed up to now?
- Is it a fact or not that our bill for petroleum products shows a shortage of 15 billion drachmas, despite the continuing price drop for petroleum internationally and the inordinant price increases which the government has made, and despite

the assurance which was given 3 months ago that it has a surplus? Let the minister tell us what will be the price increases for gasoline, diesel, and mazut needed for the purpose of reducing this deficit.

- Why does not the appropriate minister go to the State Refinery in order to observe the modernization projects which have been carried out and the investments to improve the quality of fuels?

- Why does the government insist on the mistaken purchasing of the outdated ESSO refinery, and why did it increase by 300,000 tons the agreement made at the beginning of the year on procuring petroleum products from this company?

- Is it true or not that within the 3-year period of 1978-1980, the sulfur content of mazut decreased from 3.5 percent to 1 percent, and that of diesel from 1.5 percent to 0.5 percent, while the lead content in gasoline went from 80 micrograms per cubic meter to 40 micrograms per cubic meter?

- If the sulfur dioxide and lead in the atmosphere have not been reduced below the international levels, why does not the government give these figures on a daily basis?

- Why is there a continuing desire to deceive the Greek people on the part of those who assert that the issue of environmental pollution would be solved within a few days on the basis of a program which they have claimed to have on hand?

#### The Storage Areas

In statements made yesterday relevant to this, Kouloumbis mentioned the following:

In fact, it was the New Democracy administrations which created large reserves of State-owned petroleum. These reserves, roughly twice as great as required by the regulations of the EEC, had the following effect:

Because of a shortage of storage areas, these were stored to a large extent at the private refineries, where they are costing the State \$8.50 per ton in storage fees.

It is a fact that the capricious decisions of the New Democracy administrations have led to the creation of reserves belonging to the State which cost roughly \$70 per ton more than with the present prices for petroleum.

According to Evert, pollution in Athens was nonexistent under the New Democracy Party, since all appropriate measures had been taken and certain others had been "planned."

However, the Greek people know that although studies and announcements were made, for many years these remained unimplemented. At the very least it is objectionable for the former minister to pride himself on announcements which were never put into practice, such as the modernization of the refineries so as to produce

fuels which would be better ecologically, or such as the plant for cracking naphtha and the transporting of coal gas. The handling of these subjects was done only with big words and never with actions.

The people of Attiki know that the removal of pollution in the Attiki Basin calls for planning, effort, time, and money outlays, and that it cannot be done by way of the magic wand which is asked for now by the people who had the responsibility then. And they know that the process of pollution control has begun at last.

12114

CSO: 4621/444



## ND CRITICIZED OVER ENERGY POLICIES

Athens EXORMISI TIS KYRIAKIS in Greek 4 Sep 82 p 12

[Text] The policy of over-stockpiling petroleum which the New Democracy administration was engaging in has made it possible for the private refineries to lay aside tremendous sums of money for working capital by using the reserves of the State. This was stated by Minister of Energy and Natural Resources Evang. Kouloumbis in answer to comments by the ND deputy for Athens, M. Evert, in connection with the selling off of petroleum reserves, and in reply to criticism of the measures for the removal of pollution in the Attiki Basin.

Among other things, Ev. Kouloumbis stresses that:

"In fact, New Democracy administrations were the ones which created large reserves of State-owned petroleum. These reserves, roughly twice as much as are required by the regulations of the EEC, had the following effect:

Because of a lack of storage areas, in large part these reserves were stored at the private refineries, where they are costing the State \$8.50 per ton in storage fees. At the same time, these reserves make it possible for the private refineries to minimize their own reserves.

It is a fact that the capricious and short-sighted decisions of the ND administrations have led to the creation of reserves by the State which have cost \$70 per ton more than with the present petroleum prices.

Therefore let Evert tell us, stresses Ev. Kouloumbis, who is being served by these surplus reserves: The Greek State, or other private interests?

On the Anti-pollution Measures

According to Evert, notes Ev. Kouloumbis, pollution in Athens was nonexistent under the New Democracy Party, since all appropriate measures had been taken and certain other measures had been "planned."

However, the Greek people do have a memory, and they know that studies and announcements were made, but for many years these remained unimplemented. At the least it is objectionable for the former minister to pride himself on announcements which were never put into effect, such as the modernization of the refineries for the production of fuels which are better ecologically, or such



as the plant for cracking naphtha and the system for transporting coal gas-- things which were handled only with big words and never with actions.

The people of Attiki know that the removal of pollution from this basin calls for planning, effort, time, and monetary expense, and that it cannot be done with the magic wand which is being asked for now by the persons who were responsible then. And they know that the process of pollution control has begun at last.

It is not one of our intentions, nor is it agreeable for us, to refer to the unhappy past. The government wants to do a constructive job and to be judged for this.

The government, which has arrayed itself in defense of the interests of the country and of its people, will go forward in a correct and systematic manner with charting that policy which serves exclusively the interests of our people, no matter how much this is objected to by those who have governed the country for many decades without any clear program.

12114

CSO: 4621/444

## INAUGURATION OF CRETAN SOLAR ENERGY UNIT

Athens MESIMVRINI in Greek 11 Sep 82 p 5

/Excerpts/ Agia Roumeli, September--A world premiere in Agia Roumeli in Crete: On 15 September, the first solar energy unit of the 1980-1983 EEC solar energy program will go into operation. The program provides for 15 photovoltaic units. Two of these first projects, in Agia Roumeli and Kythnos, are of interest to the EEC because of their being prototypes and because of the completeness of the studies that aspire to give the European Community another solution to the big energy problem. Mr L. Sell, a French technical expert who is following the course of the project on the spot, said, "The technology of the solar energy unit in Agia Roumeli is being implemented for the first time in the world. Something similar has been started by the Americans, in fact, on a huge scale, but we believe that we are excelling in technology."

EEC officials attribute great importance to the Agia Roumeli project. The inauguration ceremony will be covered by a television team for the EEC. The team will be made up of German and French television --and we hope the ERT /Greek Radio and Television/. A 1-hour televised film will be produced that will show the Agia Roumeli project and the attempt by the European Community to develop solar energy for the production of electric power. Moreover, a meeting of EEC photovoltaic experts will be held at the Orthodox Academy in Kasteli. These experts will also visit the Agia Roumeli solar energy unit.

The case of Agia Roumeli is not unique. Hundreds of small Greek islands and isolated houses lack electricity. The photovoltaic units will be able to produce a very good solution to this problem. As has been made known, Greek officials have already suggested and the local government does not appear to have any objections for the establishment of a solar energy unit in Gavdos, a small island opposite Agia Roumeli, the southernmost point of Greece -- and the European Community.

The case of Agia Roumeli is a good start. And it is also a guarantee for the realization of other projects of advanced technology in Greece. Greek officials must give special significance to the EEC programs that concern advanced technology. The Greek presence and participation in representative community committees must and can be more often, periodic and positive.

The Agia Roumeli case shows that Greece still has a lot to gain in the field of advanced technology by having Greece in the EEC.

5671

CSO: 3521/3

## YUGOSLAV ELECTRIC POWER TO BE RENTED

Athens I KATHIMERINI in Greek 31 Aug 82 p 5

[Text] A petroleum plant which is located in and belongs to Yugoslavia will be used by the DEI [Public Power Corporation] to help meet the country's electric-power needs, with the DEI assuming at the same time all the expenses of its operation. This unprecedented action by the DEI administration, which is confirmed by a document from the DEI dated 9 July 1982, is being denounced by the Panhellenic Union of DEI Technical Personnel.

According to the charge made by the technical personnel of the DEI, the need to rent a Yugoslav plant arose because of the disorganization which exists in this corporation, which makes it impossible to obtain electric power from domestic sources. More specifically, it is stressed that:

- The electricity-generating plants of the DEI (lignite, petroleum, and hydro-electric) can meet the country's present needs together with a satisfactory reserve, provided that they are maintained and operated in an orderly manner.
- With an installed power of 6,067 megawatts on 31 December 1981 and with a load use of 3,654 megawatts, there has been a reserve of about 40 percent, which is deemed to be within the limits of the international reserve index.
- There are bilateral agreements with neighboring countries (Albania, Yugoslavia, Bulgaria) for purchasing or exchanging energy, so that possible peak loads from either side can be met.
- Whenever the energy balance calls for this from time to time, the installed power of 6,067 megawatts permits stations to be shut down, because this power is distributed among petroleum, lignite, and hydroelectric plants.

Characteristic of the situation which has formed in the DEI is the fact that on 7 July 1982 a recommendation was made by the governor of the DEI, evidently following an understanding with the Directorate of Development, Production, and Transport, which was approved on 8 July 1982 (reportedly in a "roundabout way") by the administrative council. And on 9 July 1982 the decision was announced which:

- Approves, in principle, the utilization (read "renting") of the (Nengotino) Plant of the Macedonian Electric Company (of Yugoslavia) on behalf of the DEI.

- Authorizes the director of development, production, and transport to sign the relevant agreement with the Yugoslav company, as soon as it offers improved (!) proposals.

At this point it should be pointed out that all these actions on the "utilization" of this foreign petroleum plant as well as any deals made have been kept secret, and that the relevant decision has not been made public.

It also continues to be unknown what the terms are for the "utilization" of this 500-megawatt Yugoslav plant, as well as the cost which will result from this. But it is conjectured that this will be added onto the total cost of electric-power generation, and consequently onto the DEI's rates.

12114

CSO: 4621/444

## BRIEFS

ELECTRICITY PRICE RISE--The household electricity rate rose 5 percent on 1 July, as it had been announced in May, instead of rising 7.6 percent that was expected if the automatic adjustment clause (RAK and RAMI /expansions unknown/) had gone into effect. This was announced yesterday by Minister of Energy and National Resources Evan. Kouloumbis who explained that the electric current rate as had been fixed was significantly smaller than the rate that would have ensued if the formula that had been fixed by the ND government had been implemented. Moreover, a ministry communique stressed that these rates will remain unchanged over the entire second 6-month period of 1982. /Text/  
/Athens TA NEA in Greek 9 Sep 82 p 1/ 5671

CSO: 3521/3

## BRIEFS

SOLAR ENERGY RESEARCH--The Hague, September 15--The government has made 20 million guilders available to finance the second phase of a national research programme aimed at facilitating the introduction of solar energy, the ministry of economic affairs said last night. It said the management of the programme for the years 1982 to 1985 had been entrusted to the Netherlands Energy Centre's Projects Bureau (BEOP). The ministry said the first phase had not yet been evaluated but one conclusion would be that the contribution of solar energy to Dutch energy supplies around the turn of the century would be lower than estimated. A second conclusion was that the introduction of solar systems for space heating purposes would not get off the ground until after 1985. Despite this optimism was justified about the commercial use of solar energy in a more distant future. With this in mind the second phase would aim at improving the effectiveness of sun-boiler and space heating, at promoting industrial activity and removing of non-technical obstacles so that solar energy could be introduced smoothly in the medium-term, the ministry added. [Text] [The Hague ANP NEWS BULLETIN in English 16 Sep 82 p 2]

CSO: 3120/97

## LAMBSDORFF'S ECONOMIC, EMPLOYMENT PROGRAM DETAILED

Duesseldorf HANDELSBLATT in German 14 Sep 82 pp 4, 5, 6

[Text] Last week, Minister for Economics Otto Graf Lambsdorff submitted an economic and employment plan to the Chancellor as well as several members of the FDP Bundestag fraction. The "blueprint for a policy to overcome weak growth and unemployment" which became public on the weekend starts out from the premise that "the economy and the prospects for recovery soon have deteriorated once again since late spring after some of the major indicators (wages and interest rates; balance of goods and services) had shown some improvement and production increased during the first quarter of 1982." The following is a transcript of major portions of the Lambsdorff paper:

The Minister for Economics makes the following observations: Export demand has declined unexpectedly while domestic demand remained stagnant and most recently has also declined. The business climate and business hopes for the future have both deteriorated (as evidenced by the Ifo poll). There are cutbacks in production in trade and industry. Both unemployment and the number of bankruptcies are on the rise. The trend toward lower interest rates has picked up again after a temporary halt; but interest rates are still too high despite the Bundesbank's generally acceptable monetary policies.

In part, this renewed change for the worse is a reflection of developments internationally--the continuing weakness of the world economy; uncertain prospects with regard to the U.S. economy and U.S. interest rates; European-American controversies. The entire world economy obviously is in the midst of a persistent stabilization and adjustment crisis. In the face of continuing high inflation and growing unemployment, weak growth in North America and in Europe has been with us for an unusually long time. Japan, too, has now been caught in its wake. This worldwide weakness must not mislead us, however, into thinking that the present problems of the world economy are not the re-



sult of a whole number of undesirable developments in individual countries and that the reasons for our domestic economic problems can for the most part be found right here in our own country.

#### Growing Skepticism Domestically

One of the main reasons for the continuing lack of strength of the German economy is doubtless the widespread and still increasing skepticism inside our own country. The stagnation which has lasted more than 2 years now; constantly new structural problems; growing unemployment; the large number of bankruptcies; the realization of our dependence on world interest rates as well as the controversies and uncertainties regarding future economic, financial and social policies--all these factors have led to resignation and pessimism about the future among large segments of the German business community. This obvious lack of economic and political optimism also appears to be a major reason why the strong expansion of export demand last year did not lead to an upturn of the domestic economy as expected.

Operations '82 and '83 as well as the joint initiative were steps in the right direction, to be sure. But thus far they have not served to overcome basic pessimistic attitudes or to improve hopes for the future of the economy. The business community has viewed the decisions taken so far as being too short-term, too superficial, too unsystematic and in some instances too contradictory. At any rate, it was not possible to overcome skepticism regarding a truly fundamental solution of the problem. It stands to reason that an unconvincing consolidation policy will not bring about any new business initiatives; it might even be capable of triggering an even more dangerously vicious circle leading to a depression by cutting down on government demand which in turn could cause more pessimism in the private sector. We might then face the danger of more and more businesses curtailing their investments and shedding unprofitable facilities in order to safeguard liquidity.

#### Crisis Did Not Happen Overnight

The present very clear crisis of confidence did not develop in the twinkling of an eye. It must be seen as part of the profound changes affecting the entire economy which mostly came about over a fairly long period of time but whose real import did not become fully apparent until a few years ago--among other things in connection with the new international challenges resulting from the twofold explosion of oil prices, with the emergence of the threshold countries and the stabilization policies of some major partner countries. In the main we are referring to:

--a serious decline in the investment ratio of the economy overall (capital investment to GNP ratio) from an average of 24.1 percent in the sixties to an average of 20.8 percent in the second half of the seventies (with a slight increase between 1976 and 1980 and a renewed decline to under 21 percent since). This may to a large extent be due to steadily declining profits in trade and industry while profits from investment bonds were simultaneously rising and to both declining capital reserves, increased risks and increased restrictions on trade and industry investments.

--the sharp increase during the first half of the seventies of the government's role in the economy (the ratio of all public expenditures including social insurance to GNP) by more than 10 percent from 39 percent to 49.5 percent. It has since amounted to between 48 and 50 percent. This structural increase in the government share of the GNP came about primarily because of the extremely expansive development of current expenditures between 1970 and 1975--particularly in the public service sector, in social insurance payments and in subsidies to business. Government contributions in the social sector (as against GNP) increased by about 6 percent during the seventies while public investment (also as against GNP) declined during the same time period. Based on current budget projections, the public investment quota will continue to decline over the next several years.

--the steady rise in the tax and revenue ratio (the share of taxes and social contributions as measured against GNP) by 5 percent from just under 36 percent to about 41 percent during the seventies. This rise was due almost exclusively to an increase in social insurance contributions--particularly for health, retirement and unemployment insurance. The tax burden on the economy overall remained more or less the same, however. But direct taxation in the form of salary and income taxes has increased appreciably despite several rounds of tax cuts while indirect taxation in the form of users' taxes actually declined.

--the steady rise in the public sector credit financing quota (the share of public deficits as measured against GNP) by about 5 percent since the end of the sixties--where this rise is understated in view of the temporary Bundesbank payments into the federal budget. Despite all of the consolidation measures adopted thus far, these deficits would appear to be of a structural and not of an economy-related nature.

These fundamental changes affecting the entire economy along with a great number of legislative, bureaucratic and wage contract obligations as well as profound social changes (as for instance in attitudes toward technical progress, economic achievement and individual responsibility) have done a lot to weaken the adjustment potential of the German economy to changes in the domestic and international market; to shake the former dynamism and self-confidence of the German economy; sow uncertainty about investing and to reduce the availability of risk capital. What funds were available have apparently gone into accumulation of capital or foreign investment to a far greater extent than before during the past few years...

The current worldwide stagnation makes the solution of domestic economic problems more difficult, of course...Although our need to adjust both in the private and above all in the public sector is not as great as in most other industrial nations, it has by now taken on major proportions here as well. However long the international low growth may last, the FRG must mobilize the required minimum of political decisiveness and of economic and social adaptability to stop the rise in unemployment and to be able to take advantage of employment opportunities of a new growth cycle of the world economy.

#### Problems Not Tied to Economy

Presently available information does not exclude the possibility of some signs for an economic recovery by this fall. Since the growth, employment and budget problems affecting the FRG are not primarily tied to the economy (the 2-year period of stagnation is contrary to all previous experiences with the business cycle) there is a great danger that the upturn will be weak and relatively brief. As far as one can tell at any rate, it will not be strong enough by itself to resolve the problems affecting the labor market and the financial community now or in the foreseeable future.

Real success in solving the employment problem and in consolidating public finances can only be achieved, if we manage to maintain adequate growth for a sufficiently long period of time. Such growth can only be achieved and secured on the basis of broad private investment. The frequently voiced argument that market prospects are not good enough to warrant more short-term or long-term investment starts out from three mistaken assumptions:

--For investment decisions, short-term market prospects count for far less than long-term prospects of rentability.

--There are some individual markets which show signs of saturation; but there is no such thing as a general saturation of the market.

--Investments themselves affect market perspectives both directly and indirectly; in effect, they are the real motor of economic development.

In the important area of investments not only big business has a central role to play but both small and medium-sized enterprises as well. Experience has shown that their investment potential is of crucial importance for economic progress. The rationalization considerations involved in private investment in no way run counter to employment policy requirements. Investments to finance rationalization, too, serve to save existing jobs; beyond that, they help maintain employment in other fields by raising demand and income. Changes in the employment profile brought about by rationalization investments must be softened and supported with the aid of continuing professional training and/or re-training.

At this time, the question of shorter working hours is being discussed more widely once again. Such measures might help resolve employment problems in the eighties to a limited extent provided they are done right (as for instance through long-term agreement to relinquish sliding wage scales and/or part of retirement annuities) and provided they are applied differently in different sectors of the economy (and made a part of wage negotiations). This applies in particular to appropriate forms of shortening lifetime working time (involving fixed provisions based on actuarial reductions). But barring renewed economic growth, there is no way of solving the employment and even less the financing problem as part of the total public budget (including social insurance). Growing unemployment, uncontrollable budgetary problems and the impossibility of funding social safety systems, however, could easily lead to a crisis of our political system.

#### Jobs Are No 1 Target

In view of the complexity of the causes responsible for the current employment and growth crisis, there certainly is no easy, short-term solution for it. But it is important that the fact be generally recognized over the next few years that fighting unemployment must be our No 1 target and that we must draw the necessary consequences. Other desires and interests will have to take a back seat, however important they may appear



to be on the surface. This has not yet become plain enough in political and public debate. Everyone may be calling for the creation and protection of jobs; but in reality, political and social groups, associations and government departments tend to put their own special interests first as before.

People are also calling more loudly again for a policy of increased government support for demand by enacting credit-financed public programs running for several years. They fail to see, however, that this would merely serve to aggravate the structural problems of the public sector budgets even further--if for no other reason than that follow-up costs would be tied to such programs. In addition, the demand created by these programs would quickly dissipate due to generally prevailing pessimism--the more so since public investment accounts for a mere 16 percent of total capital investment. Conversely, the expectations of private investors regarding future interest rates and tax burdens would become even more clouded, thereby dampening rather than stimulating private investment...

#### Overall Plan Needed

The continuation of the policies introduced during the past few years of effecting gradual and partial corrections within the framework of overall compromise and in the absence of a basic plan accepted by the entire coalition might serve to intensify rather than resolve our problems under present conditions. If there is talk in public again and again of halfway measures, of halfheartedness, of unsystematic compromise and even of contradiction, then all this not only prevents the establishment of much-needed confidence; the immediate impact of cuts in government demand even adds to uncertainties in the private sector.

What is needed and what holds promise of success is a policy--based on a non-contradictory, multi-year overall plan buttressed as far as possible by legislation--which works toward a step-by-step removal of the abovementioned structural problems affecting the entire economy; which reliably improves the investment climate and restores to the business community its confidence in its own accomplishments and its own future...

Such a future-oriented overall policy must concentrate on the following points:

--Agreement on and implementation of a convincing market economy policy in all areas of government with a clear rejection to bureaucratization. Economic research and development are primary concerns of the business community itself. The political community, for its part, must create the most favorable economic climate possible and render assistance in specific instances.

--Agreement on and implementation of a medium-term consolidation plan for public sector budgets--supported by the necessary legislation--which excludes raising total tax burdens; which does away with fiscal uncertainties by reliably fixing expenditures and creates favorable conditions for further lowering interest rates.

--Agreement on and implementation of a medium-term plan--supported by the necessary legislation--for restructuring public expenditures and revenues from consumption to investment use in order to strengthen private and public sector investment activity and to reward economic achievements once again.

--Agreement on and implementation of an adjustment of the social safety systems to changes in growth possibilities and long term safeguards for financing them (without raising the total tax burden) in order to restore confidence in the social security system and to give more emphasis to individual initiative and individual provision for the future at the same time...

Success however, will not in the least depend on whether wage policy--given such government policies--will permit of an improvement in profit prospects and a drop in the cost of labor. Such a policy is bound to lead to confrontations with the labor unions which might have a negative effect on attitudes in general. But the unions themselves must surely be interested in a solution of the employment problem. It will therefore be very important for both the government and the Bundesbank to make it clear to labor and management that they have a joint responsibility for employment policy. Much-needed social consensus can only be maintained over the long term, if the fight against unemployment is vigorously pursued.

Anyone who calls such a policy "socially unjust" or "a burden on the little guy" can and must be told that only such a policy is capable of safeguarding the economic foundations of our prosperity thus far. The need for corrective action must also be viewed against the background of the extraordinary rise of the social service quotient (measured against GNP) over the past two decades. The worst kind of social injustice would be for unemployment to stay at 2 million or even higher.

The overall program on which a policy aimed at overcoming weak growth and unemployment must be based should include the following areas of action--which indeed are interconnected:

--Guidelines for a budgetary policy oriented toward growth and the creation of jobs:

Maintain and secure medium-term projections for federal budget expenditures of DM 250.5 billion for 1983 (+ 2 percent); DM 258 billion for 1984 (+ 3 percent) and DM 266 billion for 1985 (+ 3 percent).

Increase growth and employment-promoting expenditures over several years (if possible without follow-on costs) and continue to cut consumption expenditures at the same time (restructurization).

Offset unforeseen, inevitable added costs by cutting other budget items.

Offset revenue shortfalls arising from longer-than-expected recession through partial and temporarily higher raising of credit.

Accept political leadership role for federal government vis-a-vis Laender and communities during consolidation and restructuring process--but no more mixed financing arrangements.

--Basic approaches for concrete measures affecting budgetary policy:

Increase growth and employment-promoting expenditures (if possible without follow-on costs) at the federal level for approximately 3 years such as:

Intensify infrastructure programs in environmental protection field (in water management, for example); increase capital funding for joint "regional economic promotion" initiative as well as for "agricultural structure and coastline protection;" increase funds for business starts; increase funds for joint federal-regional remote heating programs; remove bottlenecks in road construction (federal highways, city streets) and in suburban mass transport; provide for timely construction of federal canal system needed by steel industry (the Saar canal, for example); expand and modernize the German federal railroad system, if an overall rationalization plan of the new board of directors can be realized.

These federal programs should be accompanied by appropriate actions on the part of the Laender and communities aimed at promoting growth and creating jobs on their own initiative.



In addition to that, a study should be made whether the German Postal Service is in a position to increase its investments (for instance in the cable area) and if so, to what extent; also whether the home building industry which is still stagnating and has been somewhat disadvantaged by taxation should receive support in the form of a new but temporary intermediate building loan subsidy program, and whether there should be a general job training program--jointly sponsored by the chambers of commerce and labor--limited to the next few years of surplus graduating classes for those young people who have not been able to sign a training contract by a cutoff date to be determined.

--Cut consumption expenditures and/or those clearly not promoting growth and creating jobs in order to cover any budgetary risks that still exist (for 1983 for instance: Federal Labor Office; child subsidy payment agreement between federal government and Laender; rental expenditures and allowances; federal railroads) in order to fund additional expenditures listed above and to offset tax programs insofar as these are not covered by the reform of the tax system.

**PUBLIC SERVICE** (would also affect Laender and community budgets): Limit public service sector pay raises in advance--for instance for 3 years. Every percent less for public servants, military and public assistance recipients plus postal service and railroads at federal, Laender and community level saves about DM 1.23 Billion per year--the share of the federal government being DM 0.24 billion (plus railroads: DM 0.13 billion; postal service: DM 0.14 billion); Laender: DM 0.63 billion and communities: DM 0.1 billion.

Institute new regulations on deductibles--for example by limiting amount to be refunded; limit of refund to 100 percent or possibly lowering of refund rates or introduction of additional employee contributions.

Institute across-the-board cut in starting salaries and/or remuneration, particularly for university graduates.

**FINANCIAL ASSISTANCE** (subsidies) and tax breaks:

Cut financial assistance and tax breaks further (but without increasing overall tax burden). This can best be achieved by further pinpointed reductions over a period of several years. In view of the problems connected therewith, however, one might also think in terms of a general 5 or 10 percent cut (like in Switzerland) which might then exclude a few selected areas. The disadvantages of an across-the-board cut are well known. The advantage

is that it is a broad-stroke approach and that it affects all concerned alike. Furthermore, in contrast to targeted cuts, this approach turns the "burden of proof" around.

#### **JOB PROGRAM LEGISLATION:**

Reduce basic unemployment coverage during initial phase (such as only 50 percent of last net income during first 3 months; possibly in several stages) or reduce unemployment benefits overall for single individuals (not obliged to make support payments). Tie into prior regulations and/or introduce waiting period prior to payment of unemployment benefits (contributions to such payments); but health insurance contributions made by Federal Labor Office.

Limit unemployment benefits to one year, even in case of sickness. No claim to unemployment benefits in case of participation in Labor Office programs (substantial savings to be expected).

Adjust performance standards of participants in rehabilitation programs to lower rates applicable to training and re-training programs or terminate program without further transition benefits. No accumulation of old unemployment benefit claims, if claimant was employed in the meantime.

Re-examine job programs requiring too much administrative effort and personnel (such as providing child subsidies to 16 year-olds; multiple transportation subsidies for welfare recipients; minimal sums contested in small claims and family courts; litigation of claims arising from bankruptcy guarantee cases; excessive hardship regulations); also re-examine costs accruing to those operating subsistence and rehabilitation programs.

#### **PREGNANCY LEAVES:**

Payments in 1981: DM 913 million; number of recipients in 1981: 320,000. Cut program entirely or at least suspend it for several years.

**FEDERAL LAW FOR THE ADVANCEMENT OF EDUCATION (BAFOeG)** includes savings for Laender in view of their 35 percent share in program:

Cut BAFOeG support for schoolchildren (about DM 1 billion). For university students, transform BAFOeG program to (full) loans with new, cost-effective hardship clause--major savings not to be expected until repayment of loans depending on revised structure of program.

## RENT SUBSIDIES:

Alter income precepts (such as credit for ground rent). Lower excessive lump-sum amounts in figuring income (such as 30 percent to offset tax payments and social insurance contributions; 12.5 percent of wage substitute benefits) to actual average tax and contribution totals. Cut maximum square footage permissible under subsidy program.

--Tax policies to promote investment and efficiency. Present and future tax burdens are doubtless of major importance for decisions on investment. This applies just as much to future policy in the field of wages, working hours, the social and environmental sphere as well as law, the economy and finance. In that sense, the importance of isolated tax measures should not be overestimated.

## Tax Policy Guidelines

Avoid increasing tax burden on total economy; do not resort to para-fiscal procedures (penny taxes).

Establish tax system favoring investment and efficiency by abolishing and/or reducing the following structural problems (which in turn creates less of a need for investment incentives):

Excessive non-profit-related taxation (trade and property taxes); their negative impact on readiness to invest, formation of capital particularly during low-profit cycles. (According to an Ifo-Institute study, the FRG has an unfavorable record in capital gains taxation by international standards).

Excessive taxation of wages and other incomes as a result of "normal" or "inflation-related" bracket creep; its negative impact on performance, honesty (tax fraud, moonlighting) and wage policy.

Far-reaching compensation for lower revenues (in connection with the solution of so-called tax structure problems) by raising value-added tax in particular--but not in order to effect repayment of covert tax increases ("inflation-related bracket creep") which is needed under any circumstances.

Establishment of new tax plan soon; but phased implementation based on a previously announced schedule.

As a possible supplement during a transition phase, additional tax incentives for investors.

--Phased repeal of trade tax, cutting small business tax in half during first phase as per recommendations of Federation of German Chambers of Commerce and Industry for formal retention of tax but 50 percent credit for taxes paid as rebate on turnover tax. One problem: communities may still raise tax on their own at the expense of total turnover revenues collected by federal government and Laender. Therefore, need to restrict this prerogative by establishing maximum amounts, tie-ins.

Second phase will call for repeal of tax and concomitant new agreement on revenue-sharing by having communities participate in collection of turnover tax according to standards yet to be determined (perhaps as per Fiscal and Tax Institute proposal).

--Partial tax relief for small business capital gains. Repeal of double taxation via crediting scheme or cutting assessment base in half for stock companies and stockholders. Other possibilities: include capital gains tax figures in capital itemization.

--Relief for wage earners and income recipients (including one-man enterprises) by flattening tax curves in the excessively steep middle brackets.

--Tax incentives for investments and risk capital (perhaps restricted to transition period): Income tax break for long-term investment of risk capital domestically such as contributions to investment funds (as in Austria) with at least 10 year running time but which can be withdrawn without tax penalty for the purpose of business starts. By not only including stocks but also silent partnerships and limited liability share holdings, capital formation by middle class businesses is strengthened.

--Raise value-added tax to offset losses incurred through tax breaks granted to promote investment and create jobs (but not as a way to effect repayment for "covert" tax increases). Problems: Price rises with possible impact on wage and social policies; new pressures on drift into shadow economy (but hardly more than under present tax scheme).

--Guidelines for consolidation of social security programs and social and labor market policies aimed at creating jobs:

Long-term consolidation of social security programs without raising contributions or introducing new taxes.



More attention to providing for own future, greater individual contributions as well as subsidies. Insofar as possible, decentralized assistance; strengthening of individual assistance by the family such as in the case of care for the elderly). Facilitate flex-time arrangements; but no government-ordered or supported moves to cut working hours. Generally speaking, no further restrictions on business freedom of movement; re-examination of existing laws as to their impact on employment.

#### RETIREMENT PLANS (including miners' and farmers' old age pension schemes):

Medium-term measures (until end of eighties) include guaranteeing expenditures as stipulated in '84 reform plan and no introduction of cost-raising features. Raise retirees' contributions to health insurance beyond 5 percent level as stipulated for 1986 up to the present employee contribution level of about 6 percent. No restriction on presently projected federal subsidies; restriction on health spa expenses (higher deductibles); stricter application of provisions governing disability pensions.

Longer-term measures (starting in the late eighties) include introduction of a cost-covering reduction in annuity in case of early retirement; taking the increasing number of retirees into account in establishing pension rates; raising retirement age (as the only way of offsetting rising costs brought on by rising life expectancy).

#### HEALTH INSURANCE:

Bring hospital costs down (for instance by instituting split and/or progressively lower hospital care rates and abolishing the cost substitute principle (by re-introduction of gains/losses schemes). Increase deductibles (for instances for medicines, doctor visits); increase deductibles for health cures and count as annual leave, at least in part.

#### SICK PAY (1980 cost, according to Labor Ministry: DM 27.15 billion):

Establish deductibles (in the form of waiting time, reductions, changes in financing arrangements). This would run into difficulties, however: fiscal relief is questionable; priority status of wage agreements; maintenance principle applying to public service sector. But even small-scale revisions might have salutary effect such as exclusion from premium and/or overtime payments and of services in case second jobs are held; intro-

duction of partial disability principle. Intensification of campaign against medically unjustifiable sick leave (as authorized by health insurance physicians, for example).

#### HANDICAPPED LEGISLATION

Introduce stricter provisions for certification procedures (war victims assistance program is running out anyway); re-examine definition of handicapped person and catalogue of services. Intensify employment policy orientation by no longer counting potential trainees among legally prescribed 6 percent handicapped quota among jobs available. In small and medium-sized businesses, count handicapped employer against legal quota.

#### SOCIAL WELFARE

Limits are important for budget planning in communities. As social welfare demand increases, the communities' role as public sector investors decreases more and more. The communities are making welfare payments at the expense of the Kreise unless there is recourse to other persons or institutions. The Land is involved indirectly through revenue-sharing arrangements. 1980 social welfare costs amounted to DM 13.3 billion overall and social welfare recipients totaled 2.1 million.

Adjustment to lower rates phased over several years (as against present practice) and/or temporary freeze on standard rates. Special social welfare problem: relatively high family services as compared to other family services and/or unemployment benefits and assistance payments.) Re-examination of standard rates based on market baskets. Stricter application of provisions applying to possible jobs a welfare applicant must accept. Review on whether jobless assistance (which is not part of the regular unemployment insurance system but is by now funded by the federal government) could not be administered by local social welfare offices which are closer by and also specialize in determining actual need. In addition, jobless assistance is augmented by social welfare payments in many instances.

#### LABOR LAW

No tax on businesses (particularly small and medium-sized) as part of projected labor legislation reform. No changes in laws affecting working hours which might serve to restrict entrepreneurial flexibility (such as no legislation calling for a 48-hour work week limitation). Relaxation of labor protection legislation affecting young people based on actual experience (such as flex-time provisions; improved training opportunities).

No expansion of dismissal rights legislation; development and public relations campaign regarding job sharing models that are acceptable from a social policy point of view. No government contribution to employer-employee pension plans (which are matters to be exclusively resolved between labor and management). No toughening of provisions regarding labor rights as part of EC adjustment legislation.

#### POLICY TOWARD FOREIGNERS

Retain hiring freeze and institute tougher restrictions on families joining spouses. Toughen provisions in case of circumstances affecting termination of stay (such as long-term unemployment). Clarify rights and duties of those willing to integrate.

#### EC SOCIAL POLICIES

Reject joint regulations, guidelines which adversely affect investment climate already during discussion phase (and not by time they become law in individual member nations). An example would be the Vredeling guideline with its impact on co-determination, plant constitutions and protection of confidentiality in business; restrictions in employee cession rights; joint regulations on shorter working hours. Establishment of equality in competition throughout the Community by coordinating labor rights provisions (but not introducing tougher provisions in individual countries).

--Policies to promote the market economy, competition and economic independence:

The capacity of an economy to perform and innovate is determined to a large extent by how well competition functions and by how diversified the entrepreneurial initiatives are. The small and medium-sized business establishments in particular are indispensable for economic and social progress in view of their creativity, their entrepreneurial spirit and their capability to adjust to changing conditions. That is why special attention must be paid to the support of economic independence and the availability of risk capital over the next few years.

Guidelines would call for an end to unnecessary regulations and bureaucratic procedures in all areas of the economy and a shift of services thus far made available by the public sector to the private sector, including more restrictions on the monopoly position of the postal service and not permitting it to establish a foothold in the equipment market.



Despite the difficult economic situation, no relaxation of competitive system and no government subsidies for sick industries; continued fight against plant mergers--among other things, to prevent repetition of bailouts as in the case of AEG.

Increase material and non-material support for economic independence--particularly with regard to small business starts.

Reorient capital policy by giving stronger support to participation in productive capital.

--Concrete steps could include stronger support for economic independence and particularly for small business starts. Wide ranging publicity campaigns on the value and the opportunities of economic independence (in school books, school curricula; in the media). Pinpointed support for small business starts by enhancing provisions of self-capital assistance program (perhaps limited in time) to create incentive for starting or taking over business establishments in the industrial sector as well--by increasing maximum support payments, substantially lowering interest rates, simplifying application process. Introduction of subsidized loans for business starts which could initially supplement and later perhaps replace self-capital assistance programs; improvement of advisory program for persons interested in business starts.

--Tax breaks in cases of takeover of bankrupt enterprises or factories or those that are threatened with bankruptcy.

In view of heightened risk, granting of tax-free reserves on temporary basis to cover a certain percentage of purchase costs--phased repayments after specified number of tax-free years (approval to be granted by Land following certification).

--Further removal of regulations on home rents would provide for further liberalization of rent laws--for instance by assessing comparable rents only on the basis on new rents (of the past 2 or 3 years); admissibility of staggered rentals based on apartments available; claims for higher rent also to be based on rents for own apartment; relaxation of provisions on terminating leases (beyond their actual expiration date).

Possible solutions might be to do away with tenant protection provisions altogether while retaining protection against eviction (contractual agreement on tenant protection a possibility). Repeal of paragraph 524 of Legal Code (lessor must prove "justified interest" in property in case of termination of lease) while retaining social clause as per paragraph 556a ("social

reasons" may stand in way of giving notice to tenant). Intensification of efforts to simplify building code (although this is primarily a matter for the Laender to decide).

Capital policy calls for a re-orientation of previous policy through additional shift from support for capital funds to production capital. This might start by expanding the investment catalogue for working capital in the DM 624 law; improving conditions for capital formation on the basis of wage agreements as per Textile Workers Union proposal; retaining the system of individual, entrepreneurial and joint labor-management capital formation and no wage scale funds dominated by the unions.

#### ENVIRONMENTAL POLICIES:

There is no contradiction in principle as between the goals of economic and environmental policy. For that matter, environmental policy, if properly developed, can contribute to economic and technological progress. But expenditures devoted to the production of the "ecology" product must be taken into account when demands for income are made and timetables are established for the adjustment of the economy to new norms and requirements.

#### ENERGY POLICY:

The market economy-oriented energy policy must continue. The adjustment process on the part of the economy, of consumers and the energy markets is proceeding apace; but economic policy will have to keep on helping out in some areas. For this reason self-responsibility on the part of the economy and of consumers to effect energy savings will have to continue (cf steps taken to put energy program on permanent basis). Further provision for energy supply at reasonable cost to promote growth and employment--clean energy insofar as possible.

--Oil companies to adjust capacity to altered demand while retaining time-tested structure of German oil market.

Continued delivery of German coal as contribution to overall energy needs. To guarantee sales and afford relief for public budgets, coal mining industry should increase production by exhausting all possibilities for lowering costs.

Continued refitting of German power plants--also by taking environmental policy requirements into consideration. Proper construction of cost-efficient nuclear power plants in base load area as per third supplemental appropriation is imperative.

There is an equal need to intensify efforts to implement the nuclear waste disposal plan on the basis of the progress already made.

#### **BUSINESS ESTABLISHMENTS:**

No tougher laws in the business sector (possibly a moratorium on such provisions for several years). No stiffer provisions for producer liability; in field of co-determination. No further extension of balance sheet regulations; no further stiffening of data protection rules.

Continued review of existing laws, regulations and statistical reporting requirements.

Call on Laender and communities to intensify their efforts to shift services provided by the public sector until now to the private sector with a view to giving more efficient service, relieving budgets and strengthening the economy.

Need for defending and strengthening the open, multilateral world trade system by active opposition to protectionist moves, trade-distorting practices, renationalization of markets and by firm support of GATT.

#### **A New Beginning for the Economy**

These considerations go beyond the conventional limits of a policy thought capable of implementation until now. The political difficulties standing in the way of its implementation are not being overlooked. But the rise in unemployment makes it imperative that the political sector chart a new beginning for the economy and offer a perspective for the future that is free of unnecessary government interference so that investment in new jobs and in the protection of existing ones should prove acceptable and worthwhile once again.

What we must do now was already contained in the government declaration of 24 November 1980: "...joint resolute action concentrating on the major tasks before us."

At this time, there is no more important task before us in the economic and social sphere than to fight unemployment, to create more jobs again through economic growth, to make possible a gradual solution of the problems affecting public finances and, in the end, to permit all of our citizens to share in economic and social progress.

We stand at an important crossroads. Anyone who terms such a policy "a dismantling of the social structure" or calls it "un-social," does not understand that it serves in truth to restore to health and revive the economic foundations that support our social system. What would be "socially unbalanced" would be a policy that permitted a further increase in unemployment and a financial crisis of our social security system because it was not courageous enough to set public finances in order and to provide the economy with new hope for entrepreneurial achievement and along with it for new jobs.

If we continue to cling to government services which can no longer be financed, we will only intensify our growth and employment problems and our plunge into a redistribution society which exacts punishment for achievement and provision for self and which thinks in terms of entitlements only. And at the end of all this we will be face-to-face with the crisis of our political system.

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## FINANCE MINISTER GIVES OVERVIEW OF TIGHT 1983 BUDGET

Helsinki HELSINGIN SANOMAT in Finnish 27 Aug 82 p 11

[Article: "Pekkala's Tight Budget Proposal Promises a Small Wage Increase"]

[Text] The labor and salaried worker contracts for 1983 will be permitted to raise compensation by less than one percent. That is how State Finance Minister Ahti Pekkala's (Center Party) budget proposal envisions wage levels in the 1983 wage contracts.

The administration has the proposed budget under consideration in the budget deliberations that began on 26 August. The main emphasis in the proposed budget is on curbing inflation and improving the competitive capabilities of industry in terms of prices. The budget drafters feel that the employment situation can be improved in this way.

The compensation level would be raised during 1983 by new wage contracts, in addition to the raises still due from the previous wage contract.

For those reasons, the Pekkala draft budget anticipates an increase of 2.5 percent in real wages during 1983. The budget drafters are assuming that a similarly moderate wage policy will be observed in the granting of raises in the agricultural sphere.

The Ministry of Finance has itself observed moderation in raising state fees and fares, which have essentially been held to five percent.

This also includes whiskey and tobacco, to which administrations have frequently turned for extraordinary increases to resolve budgetary problems.

The intention is to raise the rates on the state railroad system twice during 1983, first by 5 percent and as of 1 July by 5 and 7 percent [as published].

Final Figure at 71.6 Billion

Minister Pekkala will present the draft budget to the rest of the administration at a figure exceeding the 1982 budget by 10 percent, for a final total of 71.6 billion markkas.



Overall, the draft budget is so tightly drawn that it makes provision for raising certain sources of government income in 1983 if the economic and financial decisions do not support the administration's fight against inflation. The administration envisions an inflation rate of seven percent.

The administration promises to keep the inflation adjustment on the income and assets tax at the nine-percent level. In addition to the tax tables, the adjustment involves some important tax reductions. The new tax tables would go into effect at the beginning of 1983.

Minister Pekkala proposes a long-term loan of 8.75 billion markkas, compared with the loan of 7.8 billion in 1982, to attain a balanced budget.

Pekkala is satisfied to retain the percentage rate of the business turnover tax as is. On the other hand, he proposes to raise the deduction on the business turnover tax on industry investment in machines and equipment from 33 to 38 percent.

The minister proposes a reduction in the stamp tax in the real estate trade. He proposes an increase in the stamp tax on loans of more than 9-months duration to the same level as on short-term loans.

#### Research Alleviations for Enterprises

One of the trends stressed in Pekkala's proposed budget is the promotion of research. With this end in view, a special research deduction is proposed in the taxation of enterprises.

The taxation of electricity would be changed in that electrical energy used as a raw material would be entirely free of taxation. The electricity tax would otherwise remain as is.

#### Additional Funds for the Army

The most satisfied readers of the budget proposal this year may be found in the defense forces, because the proposal for basic procurement is almost 1.1 billion markkas.

The magnitude of the figure arises from previously contracted orders, which are now falling due for payment. In terms of the share of the Defense Ministry, irrespective of the national debt, is the largest in the proposed budget, at 20 percent.

An increase of eight percent is proposed in child allowances as of 1 October. The amount for maternity assistance proposed is 440 markkas in 1983.

Pekkala has again included the health center fee, a subject of controversy for many years by the leftists and the centrists, in the proposed budget.



According to the Pekkala proposal, a fee of 12 markkas would be levied on a visit to a health center by persons over age 17. Polyclinic fees and fees for days of hospital care would be increased by 2 markkas.

Because of the increased state expenditures, the amount of the maternity per diem allowance proposed is 75 percent of the wage or salary instead of the 80 percent. The rise in the per diem allowance to 100 percent after the first working day will be postponed a year, to become effective in April 1984.

The index adjustment in the work pension would take place only once a year. The same would apply to index adjustments in national pensions.

Continuation in 1983 of the reduction in payments by employers to the insured national pension system is proposed. Pekkala proposes a return of employers' sickness insurance premium payments to their former level as of the beginning of 1983. Sickness insurance premium payments by insured persons would be retained at the present level. Pekkala wishes to cut the tel [as published] payments by employers.

The number of new housing units would be 43,000 in 1983, of which 20,000 would be built by state funding or state supported loans. Falling under the Arava housing administration would be 18,000, and the remaining 2,000 would be under the interest-support loan plan. The decrease in this sector from the 1982 level is considerable, since the number of housing construction starts in 1982 was 26,000.

#### 846 Million For Developmental Aid

Pekkala proposes a total of 846 million markkas for developmental aid, although the selected growth rate would require approximately 1 billion markkas. The administration intent is to raise the development aid in such a way that it reaches .7 percent of the gross national product toward the end of the 1980's. That figure of 846 million markkas would currently amount to .33 percent of the gross national product.

#### The SKDL Verdict: A One-Sided Budget

Chairman Kalevi Kivisto of the SKDL distributed the published SKDL verdict of State Finance Minister Ahti Pekkala's proposed budget at the opening session of the budget deliberations. It states that the budget proposal is too one-sided, concentrates on the problems of competitive capability and ignores unemployment.

According to Kivisto, the SKDL will demand in the deliberations stronger measures than those offered by Pekkala for dealing with employment and for social services. In addition, the administration must now make a decision about a special extraordinary budget provision to alleviate unemployment during the coming winter.

On the other hand, Kivisto's published opening statement contains no mention of Labor Minister and Finnish CP chairman Jouko Kajanoja's proposed "2.4 billion employment program." Perhaps that is why the SKDL opening statement on 26 August was considered more conciliatory than expected. The Social Democrats and Center Party supporters have had premonitions that the SKDL and the Finnish Communist Party might together force the budget deliberations into such a situation as to give the Communists cause to resign from the administration.

According to Kivisto, the economic policy of the Pekkala budget concentrates unilaterally on the competitive capabilities of export trade. "That could not have any direct effect on the problems that face us and it is becoming all the more questionable whether even in the long-range view it can have any decisive effect on the number of employed," said Kivisto.

Kivisto feels that concentration on competitive ability will arouse dangerous talk about devaluation.

#### "Wage Policy Not in the Budget"

According to Kivisto, the Pekkala tight budget policy lacks substantiation. Even the project loan can be increased above the 8.75 billion markkas proposed by Pekkala.

Kivisto says that the SKDL also does not agree that the wage policy be determined in the budget for the next round of wage increases. The SKDL feels that the amount of the wage increases belongs within the decision-making authority of the labor market organizations.

#### "In the Spirit of Conciliation"

Unlike Kivisto, the other ministers did not publish the speeches they made at the opening of the deliberations.

Making his fourth budget proposal, Minister Pekkala characterized the opening of the deliberations early in the evening of 26 August as having been surprisingly favorable and conciliatory in nature. Up to that point, none of the groups in the administration had wished to make the situation tense by clinging steadfastly to demands or points of view.

The draft budget was considered throughout for the first time on 26 August, and those points on which there was disagreement were tabled for subsequent deliberation. According to Pekkala, the number of issues on which there was disagreement during the early evening was "not yet very large." In each of the main sections of the budget, "only a few points" were left open.

The parties participating in the administration are expected to disagree on budget terms at least in matters of housing production funding, agriculture funds, developmental collaborative funding, appropriations for the construction of health centers and day homes, Defense Forces procurement funding, the decrease in maternity per diem allowances, children's home care support, tax

deductions for industry, the postponement of increases in work pensions and the adequacy of action to promote employment.

Work on the budget will continue in the administration on the morning of 27 August, at which time the tabled points under disagreement will be considered. If all the points cannot be resolved on Friday, 27 August, the work may be continued by a smaller group of ministers on Saturday and by the entire administration on Sunday.

The administration's intention is to present the draft budget to parliament on 17 September 1982.

5955

CSO: 3107/176

## BEREGOVY ON WAGE, PRICE FREEZE; SOCIAL SECURITY POLICIES

Paris LE MATIN in French 3 Sep 82 p 8

[Interview with Pierre Beregovoy, minister of social affairs and national solidarity, by Jean-Louis Validire and Olivier Biffaud: "I Want To Balance the Social Security Accounts -- Social Progress Is Inseparable from Sound Economic Management"; date and place not specified]

[Text] Pierre Beregovoy will be the "minister of accounts," if this expression means that "one has to make good use of and better distribute that which is at our disposal." The minister of social affairs affirmed this in the interview he granted to LE MATIN. For all that, he will not be the "minister of social decline" at a time when the government, holding more closely to economic realities, imposes a policy of austerity on the French. One thing is certain, Pierre Beregovoy does not have any preconceived ideas -- which has the advantage of pleasing his union interlocutors -- except for one: to balance expenditures and revenues. For him, this is the first major reform of social security.

As minister of accounts, without being minister of social decline, he will soon be faced with the problem of the evolution of social benefits, which will have to fit within the framework set by the government for the price increase and the much more problematic increase of wages. With the desire to reconcile the economy and the social sector, Pierre Beregovoy approaches the two major issues of the financing of social security and of retirement at the age of 60, pragmatically. An attitude which would displease some and appease many others. An attitude which, in any case, shows that some headway has been made in government thinking since 10 May 1981.

Will Pierre Beregovoy be more successful than his predecessors? He wants to give himself the means to this end and to make the French aware of the difficulties of his task.

[Question] Is it possible to consider the problem of financing social protection outside the solutions which will be provided with the lifting of the price and wage freeze?

Pierre Beregovoy: The first major government file is indeed the lifting of the freeze. It is not my specific responsibility to take care of it. France is engaged in a battle against inflation which dominates everything else. Each point won against inflation is also won for purchasing power. Each point won against inflation is a point won in international competition. The foreign trade file is one of the hottest issues. I am one of those who believe that, in an economy open to the outside world, our first world market is the French market. Our enterprises must concern themselves as much with the domestic market as with the foreign market.

Inflation and unemployment are two dangers which threaten our system of social protection. Every Frenchman must be aware that the maintenance of our health and social protection at a high level depends on the successes we achieve in these two areas.

[Question] What do you intend to do to sensitize public opinion?

Beregovoy: Next year, I hope to present the social problem to parliament. Not only the problem of the general social security system, but also that of the special systems, of the exceptional systems, in such a way that we will know what is spent, who spends it and how the revenue is secured.

[Question] How do you intend to handle the three essential major files, specifically social security, unemployment insurance and retirement at the age of 60?

Beregovoy: For social security, we will have to balance the accounts, that is to say adapt the expenditures to the revenues. Within the framework of UNEDIC, unemployment insurance has to be distinguished from early retirement. Finally, the implementation of the ordinance on retirement at the age of 60 assumes that every wage earner will be able to leave at a decent income level.

[Question] How are you going to balance the social security accounts while respecting the promise made to the employers not to raise the costs until 1 July 1983?

Beregovoy: In fact, we are bound by that commitment, and the margin in which to maneuver is narrow. My main objective: to end up with a better use of our resources. As far as the health file is concerned, a strict management of hospital expenses as well as of pharmaceutical expenses will be needed. Finally, it is necessary to maintain the development of health expenditures within the framework of the desired growth of prices and wages. Which means that the agreements with the health professions will have to be negotiated in this spirit. This will undoubtedly not take place without a few problems. But everyone must understand that it is in the interest of all to avoid inflationary skids. As for the elderly, we will honor our commitments. A serious effort remains to be made for the family. How can this be financed? Some people refer to an increase based on resource criteria, others believe that taxation is preferable. We have to move toward some funding by taxation of our system of social protection, as Francois Mitterrand has advocated. As a matter of fact, this is necessary to the extent that the majority of our international competitors have adopted such mechanisms.



[Question] Are you considering a reform of the assessment of contributions, and what about the "contribution based on equipment"?

Beregovoy: The financing of social security is based on wages. It is a system which penalizes labor intensive enterprises, which constitutes a brake on recruitment and a handicap to exports. Other elements must be taken into consideration. This could be translated by a contribution made by the enterprises based on added value or on equipment. However, investments should not be endangered.

Until next 1 July, there will be no question of obtaining supplementary resources by these two means, because of our loyalty to commitments made to the enterprises. Later on, funding by taxation and the modification of the assessment will bring new revenue.

In this regard, it should be noted that a piece of equipment manufactured in France participates indirectly in the financing of our social security, because it is manufactured by workers whose contributions feed the social protection system. Which is not the case for a piece of equipment manufactured abroad. But this line of thought should be pursued with caution in order not to compromise the modernization of equipment.

[Question] Aside from these thoughts, do you have a plan for a major reform of the social security system?

Beregovoy: As far as I am concerned, the major reform starts with the adaptation of expenditures to revenues. It will be the major point of our plan of action for 1983; it will come within the framework of an overall plan to be implemented progressively: control of hospital management, decentralization of authority and responsibilities, reform of the assessment of contributions. All of these reforms are being prepared.

Moreover, the mutual benefit insurance is called upon to play a determining and complementary role in the system of mixed social protection which is ours. It could become the natural and free complement to social security, because I instinctively reject the use of profit making insurance. I prefer a non-profit insurance.

[Question] To get back to a practical aspect: isn't the reduction of the growth of benefits in contradiction to the promise to increase these same benefits?

Beregovoy: I would remind you that since the election of Francois Mitterrand, the purchasing power of the minimum old age benefits has gone up 40 percent. As far as family allowances are concerned, we have made up part of the lag. Note that we have already talked about funding by taxation, and the CFDT has original ideas which I don't reject out of hand.

[Question] Andre Bergeron believes that the problem of social security is being stated the same way today as it was 15 years ago. Is that also your opinion?



Beregovoy: Fifteen years ago, they must surely have asked the same questions, but they were not taken care of. There is at least one difference: if I am facing the same problems I did 15 years ago, it is with the will to solve them. I don't want any patching up. Consequently, the plan of action which we will implement this year will come within the framework of a general initiative of which I have given you the outlines. I will not be the minister of social decline. But social progress is inseparable from sound economic management.

[Question] On this specific point, did the government policy evolve between 10 May 1981 and your appointment?

Beregovoy: Perhaps a more acute awareness of the difficulties which we have to overcome leads us to stress management problems. May I add one point, as there has often been talk about accounts? If to be minister of accounts means that we are going to go backwards, then I will not be that minister. If, on the other hand, it means that we must make better use of and better distribute that which is at our disposal, then I accept this definition.

[Question] Aren't you afraid that the elections to the social security funds, which will take place next June, will produce outbidding tactics which would be prejudicial to your action?

Beregovoy: Everyone will take his own responsibilities. If people think that everything can be solved from above without elections, then they are wrong. I believe that the French are perfectly capable of understanding that everything will not be possible immediately, provided that what is possible is done quickly. For example, I am not inclined to delay the implementation of measures which have been studied for optometry, for hearing and dental prostheses, and for orthopedics.

[Question] Another major file, UNEDIC. How do you intend to handle the serious financing problems?

Beregovoy: As you know, it is a joint system to which the state provides a very significant contribution as well as its guarantee. Now, it is up to the social partners to tell us what they want. I hope that they will be quick. From the very beginning, the government believed that savings could be made in benefits. Moreover, a supplementary contribution from the wage earners and from the employers is supposed to be added to that of the state.

At the same time, there is the problem of financing retirement at the age of 60, applicable as of 1 April 1983. A guarantee of resources, which is the responsibility of UNEDIC, was provided for those who took early retirement between the ages of 60 and 65. This will no longer have a reason for existence. Hence, it is possible to separate the unemployment insurance from the guarantee of resources and to imagine that the state will transfer the contribution it used to make to this, to a system from which retired individuals between the ages of 60 and 65 would benefit, while waiting for the supplementary systems to take over.

8463

CSO: 3100/946

## BANK OF FRANCE, INSEE RELEASE STUDY OF 1981 INDUSTRY FINANCES

Paris LES ECHOS in French 27 Aug 82 p 3

[Article: "Firms' Situations Severely Worsened During 1981"]

[Text] The phase-two Mauroy government seems more and more concerned about the deterioration of firms' accounts, and rightly so. Privately, a minister such as Jean Auroux fully admits that his approach to this type of question has changed. Two studies, one by INSEE [National Institute for Statistics and Economic Studies] and the other by the Bank of France, only encourage him and all of his colleagues to take this new track.

The July-August issue of *ECONOMIE ET STATISTIQUE*, with the help of the national accounting office, attempted to pinpoint the major characteristics of the 1981 changes in industry. "Despite a net slowdown in the advance of prices of intermediate consumer products (particularly energy), the growth differential 'added value price-production price' is negative overall."

INSEE emphasizes that the fierceness of international competition has not enabled businesses to make up for production prices as they did in 1975, due to the very important 1975 break on the primary sharing of the added value.

"The very distinct decrease in the share of gross operating profits in the added value, or mark-up ratio, benefited personnel costs almost exclusively, and more in the way of social contributions than salaries," INSEE pointed out.

The mark-up ratio has been declining gradually for 7 years, but in many respects 1981 was a turning point. The table below illustrates this well.

On the one hand, restraints in competitiveness limit the advance of production prices. On the other hand, the increase in salary costs is greater than that of the added value. Finally, the continued increase of financing costs from 1965 to 1971 contributed to the deterioration of firms' profit margins, without being offset since.

Net Use of the Income of Private Firms  
(excluding agriculture and large national firms)  
as a percentage of the added value

	1974	1975	1976	1977	1978	1978	1980	1981
Taxes on firms' profits	4.6	3.1	3.7	4.1	3.4	3.6	3.9	3.9
Net interest paid	6.9	6.2	5.7	5.6	5.1	4.3	5.5	6.7
Net dividends paid	4.1	4.0	3.7	3.7	3.6	3.8	3.9	3.9
Miscellaneous	1.4	1.4	1.1	0.8	1.0	0.6	0.1	0
Gross savings	10.1	10.0	10.3	10.2	11.0	11.4	9.8	7.7
Total (mark-up ratio)	27.1	24.7	24.5	24.4	24.1	24.2	23.0	22.2

Source: INSEE

"In 1981, the new worsening of firms' rate of savings can be explained primarily by the very pronounced rise in interest rates. As a percentage of the added value, their share rose to 6.7 percent compared with 5.5 percent in 1980 and 4.8 percent in 1979," indicated INSEE.

#### Three Thousand Five Hundred Firms Examined Under the Magnifying Glass

For its part, the Bank of France, as it did the two preceding years, synthesized the preliminary figures on the centralization of the 1981 financial statements of 3,500 industrial firms that cover about 31 percent of the national work force. The first fact that was noted is that the added value rate is consistently decreasing: 1.6 percent in constant francs compared with 1.5 percent in 1980. This is the counterpart to the institution of a special tax on certain general expenses and the restructuring of the professional tax.

Manufacturing investments slowed: 7.3 percent in value instead of 19.9 percent in 1980. There has been a general deterioration of economic results, particularly noticeable in passenger vehicle construction.

The Bank of France then examined financing expenses, self-financing and financing independence. In these three areas, the deterioration is remarkable.

--The share of financing costs within the added value increased by 1.6 points in 1981 (an increase due for three-quarters to the change in interest rates and for one-quarter to increased use of indebtedness).

This growth in financing expenses was felt most severely in the automobile industry, household appliances and basic chemistry.

--The issuing institute emphasized that in 1981 business caution in the area of inventory caused a decline in financing needs in relative value. These needs were only 24 percent of the added value compared with 25 percent in 1980.

"Nevertheless, the moderateness of the economic results, in conjunction with the increase of financing costs, caused an overall new weakening in self-financing. Similarly, the financing figure showed a drop of 40 percent. Thus, firms saw their financing profitability (financing figure divided by their own resources) fall," observed the bank. This does not contradict the fact that, despite everything, some firms succeeded in coming out ahead.

In %	(A)		(B)		(C)		(D)	
	1980	1981	1980	1981	1980	1981	1980	1981
Agribusiness	18.1	23.9	15.3	16.4	59.5	74	4.7	5.8
Intermediate goods	-22.7	-21.1	11.6	8.4	45.9	36.7	0.6	-0.5
Mining equipment	24.6	20.5	14.1	14.8	55.3	50.6	4.8	4.7
Ground transportation equipment	-18.1	-58.1	12	5	38	20.3	0.9	-5.2
Consumer goods	-11	-12.6	10	7.9	58.5	57.9	4.7	-3.6
Industry	- 3.2	- 4.8	12.6	10.9	50.3	46	2.7	1.5

Key:

- A. Self-financing Variation
- B. Self-financing Added value
- C. Self-financing Financing needs
- D. Financing figure Own resources

The decrease in self-financing caused firms to resort to outside resources to a greater extent. Within the sample under consideration, these resources amounted to 17 percent of the added value compared with 15 percent in 1980 and 12 percent in 1979. "Capital increases and the divestiture of fixed assets were greater than during the preceding year but were barely over 30 percent of outside financing," remarked the Bank of France.

The bank emphasized that the aerospace construction sector was the only one to experience a strengthening of its own resources by incorporating advances received from the state. Everywhere else, the rates of indebtedness increased.

Firms limited their recourse to treasury credits (+13 percent) and made greater use of borrowing (+15 percent). "The latter resulted in an improvement of stable resources and, overall, the maintaining of financial balance," concluded the study.

In %	Structure of borrowed capital									
	Rate of indebtedness		Bank loans borrowed capital		Current accounts of associates		Loans		Treasury loans	
	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981
Agribusiness	49.5	50.5	83.5	81.1	2.7	2.5	38.2	41.3	59.1	56.2
Intermediate goods	59.8	65.4	63.7	64	3.6	4	60.6	58.5	35.8	37.5
Mining equipment	56.8	59.4	59.7	60	2.7	1.6	55.2	56.3	42.1	42.1
Ground transport	51.4	61.9	77.5	70.7	1.3	1.3	63.7	67.5	35	31.2
Consumer goods	49.3	49.8	79	78.7	4.2	4.1	41.7	43.6	54.1	52.3
Industry	55.4	59.6	68.2	67.2	3	2.8	55.3	55.9	41.7	41.3



## BASSE-LOIRE ATTRACTS SHIPBUILDING, AEROSPACE INDUSTRY

Paris L'USINE NOUVELLE in French 5-12-19 Aug 82 pp 38-43

[Article by Herve Philippe: "Basse-Loire: Industry Is Ready"]

[Excerpts] Machinery, energy, new industries--everything is in place for the Basse-Loire to undergo an economic development that many regions would envy. But the economic situation is curtailing the effects and even threatens some of the efforts made these last few years.

Still 18 unemployed for every 100 workers in Saint-Nazaire, a rate of 12.5 percent for the Loire-Atlantique. Still two points above the national average. Basse-Loire, therefore, is still not out of the woods. Yet, in a few years, weren't more investments--FR10 billion--centered on this area than anywhere else? They enabled this region, which had previously been very dependent, to become an energy center, to build a large port for all of the west, to bring to Nantes the building blocks of a components industry and to Saint-Nazaire the first "factory of data processing programs," a first-class study and development firm. And even a subsidiary of SNECMA [National Aircraft Engine Study and Manufacturing Company] and General Electric, the only large facility these last few months that officials had not decided where to build, and which was wanted as much at Longwy as at Valenciennes, will be built in the Basse-Loire.

Equipment to provide a structure and an industry that is now diversified--everything is in place for a rebound. But the endemic difficulties remain. The economic situation is holding back the development of the system that has been put in place and has turned something that ordinarily would be an advantage, the demography, into a handicap. This is a factor that developers in the west always put forward. Population growth here is much higher than the national average; the birth rate is high in this area of large families. In the Loire region, one-third of the population is under 20. And since agricultural migration has been going on longer than elsewhere, at least 6,000 jobs per year must be created in Basse-Loire to absorb the growth in the active population. The authorities took this into account when they decentralized several major administrative services in Nantes. But since the era of the explosion in the services sector is over, we have to look elsewhere. And an industrial bet has been made on the Basse-Loire.

It would be difficult to find a better illustration of a region's development than what has been happening on the estuary since 1976. That year, regional authorities won the decision to build the Montoir methane terminal. The date was a turning point in the region's development, not so much because of the gas itself--all the communities crossed by the 900mm pipeline from Montoir to Paris have the same advantage--but because of the unexpected consequences it brought.

To give 125,000-ton methane tankers access to the terminal, a 13.5-meter channel was dug. Suddenly, the Donges refinery could also be served by large tankers. And Elf, which had planned to close this facility, decided to completely renovate it. The plant that is being completed employed as many as 2,800 individuals at one time. The refinery will supply, at reduced cost, 9 million tons annually.

Accessibility to large ore ships also made EDF decide to build two additional coal-fired facilities of 580 megawatts [mw] at Cordemais, upstream from Donges. It is also converting a third Cordemais facility to coal as well as part of the Chevre plant on the other side of the river.

To supply them, a coal terminal that can receive 3 million tons per year will be opened at Montoir in April 1983. This facility can also benefit all of the industries in the region.

With the methane, petroleum products and coal, the Basse-Loire has gained the energy independence that it was lacking.

That leaves nuclear electricity. After abandoning the Pellerin site, a new plan is being studied at Carnet, 17 kilometers downstream. The regional council gave its approval at the beginning of the summer. They are waiting for the government green light to construct two 1,500-mw facilities. The site chosen, on the left bank, would bring economic activity to this area of the estuary that has remained underindustrialized, despite the Saint-Nazaire bridge. The regional authorities are already studying possible offshoots: production of aluminum from Chateaubriant clays, for example, expansion of the traditional market garden zones and development of aquaculture using available hot water and steam. But in the much shorter term (in the current stage of the project the plant would not be operational before 1992), they are planning on the fallout from the construction project, which could take over from Elf and the coal plants.

The digging of the channel has another effect: the autonomous port of Nantes-Saint-Nazaire is becoming a development tool for all of the west. It is about to become the third most important French port.

#### Recapture the Traffic That Leaves From Le Havre

The royalties brought by transiting energy supplies enable it to invest--about 1 billion in 5 years--to encourage the general traffic that large-scale ships can now handle.

One million tons of the region's general cargo now bypass it, going through Le Havre or even Anvers.

To capture this cargo, the port built a carrying station, and a container and general cargo terminal opened at the end of June. It is hoping for 300,000 tons annually within 3 years. The Saint-Nazaire Chamber of Commerce and Industry has built an international freight center on 120 hectares nearby. The construction of a second terminal is planned for the end of next year. It would in fact result in much more than a doubling of traffic, since the lag time and management limitations would then be greatly reduced.

That leaves initiation of the new regular lines that businessmen are waiting for. "The port could be a distinct advantage as long as the region knows how to use it," explained one of them, Claude Provost, a furniture manufacturer in Chateaubriant. For his trade with the United States, where his firm has two plants, he uses a container that goes via Le Havre every day, since there is no regular line from Montoir.

The best facilities do not necessarily incur activity.

National solidarity also played a large role in diversifying the industrial fabric of the estuary, which many regions now envy. The most spectacular industrial arrival is surely that of Matra, with three facilities: the Chantrerie, in Nantes, for manufacturing C MOS, N MOS and bipolar circuits in association with Harris and Intel; LTI Stratifies (multi-layer circuits) in Carquefou; and Euromask in Malville, facilities for manufacturing circuits. What is more important to Nantes than the number of jobs created (450 right now, 1,500 in 1985-1986) is the firm's renown. Matra is bringing the Basse-Loire a well-deserved but unrecognized--other firms (Sercel, Thomson, Benson, etc.) are established there--electronics image.

Another particularly significant recent arrival is that of the General Data Processing Company, which is building a software (or more precisely, software package) industrialization plant in Saint-Nazaire. This program factory will be operational at the beginning of 1984 and will employ 150. The arrival of Technip in Saint-Marc, just outside Saint-Nazaire, is a real victory for the Basse-Loire. With tinted windows and grassy terraces, the firm, which now employs 450, seems to symbolize the era of the highest in the services sector on the banks of the estuary. This comes at the same time as a change in the city's reputation, which still carries the reminder of the violence of its steel industry. Before building there, Technip surveyed its staff; of 1,350 replies, the Basse-Loire came in second after Sophia-Antipolis.

Since public research institutes have also invested a lot, Nantes has become a center that counts throughout the west. With about 10 groups from its 2,000 researchers associated with the CNRS [National Center for Scientific Research], it is about to equal Rennes. In the last 18 months alone a biology institute has been started, a product design center has been created within the National Higher Mechanical School (it will be opened when classes resume), a "prepared dishes" department was begun at Inra and the technical research bureau of the postal service was decentralized.

As everywhere in France, the problem is to make the work of the researchers benefit the region. The standard research and industry interface links have been set up. ANVAR's [National Agency for the Enhancement of Research] regional delegation hired six engineer-advisers to assist and give advice in the areas of microelectronics, telmetrics, automatic devices, new materials and efficient use of electricity. After analyzing firms' problems, they direct them to the laboratories and technical centers likely to help them. The assistance is beginning to bear fruit. In 1981, the Loire region was third among the regions for decentralized assistance by ANVAR, after the Ile-de-France and Rhone-Alpes. This illustrates the degree to which the small and medium-sized firms have been innovated.

The researchers are especially finding partners to their liking within large firms. As soon as they opened, Matra-Harris signed a contract with the Laboratory of Surface Physics. The Physics Institute is working on heat exchanges via convection between membranes and fluids in conjunction with the Shops and Shipyards of Brittany. Inra is conducting studies for the region's agricultural firms. In all areas, contacts appear to be promising.

#### Problems at the Chemical Facilities

An overview of the Basse-Loire's diversification would be incomplete if several large companies were omitted: Saunier-Duval (1,400 employees), Creusot-Loire (1,000 employees), PUK [Pechiney-Ugine-Kuhlmann] (700), and Rhone-Poulenc, with General Fertilizer and Gardilore (700). The last two firms represent the chemical industry in the Basse-Loire, which is, however, inadequately established. "If these facilities do not receive new investments, they will be in trouble," worried Jacques Voisard, industrialization commissioner to the west and general representative of Ouest-Atlantique. "If Rhone-Poulenc has to close some of its plants, we hope that they won't choose those in the Basse-Loire." The new chief executive officer of Rhone-Poulenc, who is from Brittany, will perhaps have bigger plans for these units.

Lastly, some small and medium-sized industries have reached the international level. The sound of their brands is a reminder of their successes. In particular, there are ship superstructures (Goiot), Velcro bands (Applix), lift truck bodies (Manitou), agenda books (Quo Vadis) and laboratory equipment (Jouan). "The Basse-Loire will have made it the day that the fabric of these classical small and medium-sized industries is strong enough to be flexible compared with the fluctuations of the large traditional naval and aerospace industries," stated Patrick Kron, in charge of industrial development problems for the inter-regional industry department and regional representative of ANVAR.

Because, despite this dazzling diversification, the Basse-Loire's fragility still rests on its dependence on the operations of the shipyards. In addition, aerospace has taken on such importance in Nantes and Saint-Nazaire that regional authorities anxiously watch the slightest fluctuation in the workload of the national firms. "The order for two container ships from the



Atlantique Shipyards or the decision for Aerospatiale to build the ATR 42 here are of greater importance for the region than all the assistance measures that could be taken," summed up Patrick Kron.

The Loire-Atlantique, however, is no longer a single-industry region. The shipyards account for only 7,500 jobs out of the 90,000 in industry, and aerospace, 5,400. Even in Saint-Nazaire, which lived for so long to the beat of Penhoet, the Atlantic Shipyards employ in shipbuilding no more than 10 percent of the active population: 5,245 jobs out of a total of 55,000.

In Nantes, Dubigeon-Normandie has 1,800 jobs. It is the last survivor of the three Nantes shipyards that existed in 1963 (ACB [Shops and Shipyards of Brittany], Loire Shipyards and Dubigeon). The firm had 2,700 employees in 1969 after taking over the ship sector of ACB. Dubigeon has specialized in sophisticated boats: car ferries, steamers and dredgers which, because of the interweaving of their fittings, require an infinite amount of organization. The firm also manufactures warships, especially submarines, designed for Cherbourg and built for countries such as Portugal, South Africa and Pakistan. These submarines are, in fact, the major guarantees of a minimal amount of profit. Current attempts are under way to merge Dubigeon and the Atlantique Shipyards. The objectives of the solution recommended by the public authorities are to have a complementarity and flexibility between the financing and the use of staff. But there is also hesitation on both sides.

#### Shipyards That No Longer Think Only 'Ships'

The Atlantique Shipyards still experience their own problems. This has been illustrated by the closing of the machine shop in Montoir-Sud, which produced diesel motors, this operation being transferred to Saint-Nazaire.

In fact, the cutback in staff has been occurring at a rate that is more tolerable for the area. However, the Atlantique Shipyards have been diversifying for some years. After having missed the first round of offshore rigs, they are now trying to capture the second generation markets by manufacturing semisubmersible modules and platforms. Floating factories are also on the drawing board. In addition, the shipyards have built and delivered to the United States hydroelectric power plants that have been floated over.

Which is to say that the management is no longer thinking exclusively "ships." However, it has not yet made a complete conversion as did Alsthom's other subsidiary, the Shops and Shipyards of Brittany.

ACB is the prime example of a firm betting on high technology and innovation. "It is difficult to know what we will be doing in 1990. Nobody can say," stated Jean Garnier, the chief executive officer. "But we have one strength--brain power." For the time being, the Shops and Shipyards of Brittany (1,800 employees) are fighting on all fronts where they can make the most of mechanics, study and design, robotics, sophisticated equipment, especially for offshore, and nuclear, shipbuilding, chemistry, agribusiness and metallurgy.



In 1969, however, the ACB was still building ships. In 10 years it accomplished an exemplary conversion by transforming itself into a sort of gigantic study and design office.

Although aerospace today is having more opulent days than shipbuilding, the Airbus program has not erased the memory of the profound crisis stemming from the failure of the Concorde.

At present, the economic situation is still a subject of concern because, in number of hours, the Basse-Loire is still 5 percent below the national level. With facilities in Basse-Loire to offset (already!) the loss of jobs in shipbuilding, SNIAS [National Industrial Aerospace Company] has had an effect with its two plants at Nantes-Bouguenais (2,600 jobs) and Saint-Nazaire (2,800).

Two very well-equipped and competitive facilities! The plant of the Famat company, a subsidiary of SNECMA and General Electric, which is under construction in Saint-Nazaire, has reaffirmed the Basse-Loire's aerospace inclination.

The plant, in the process of being completed, covers 20,000 square meters. It will employ about 500 to manufacture mechanically soldered parts for airplane engines, using all high technology techniques: digital operation, soldering robots, laser cutting, etc. Total investment: 300 million.

This new plant, however, will result in only limited subcontracting and will not help the firms that work for the sector and that are experiencing difficulties. These are generally small workshops or small and medium-sized industries of a good technical level, some of which were smart enough to convert from shipbuilding to aerospace. But at present there are too many to count on the latter. The lack of subcontracting puts them in the same situation as the shipbuilding suppliers a few years ago.

Looking at what has become of them is to sum up the entire metallurgy-machine sector of the Basse-Loire. A share that was difficult to measure has disappeared. This, for example, is the case of the Nantaise Foundry, which manufactured the propellers of the most prestigious ships, including those of the "France." Its closing made quite a stir recently.

The same thing can be said about all industry in the Basse-Loire: All the components are in place, apparently waiting for who knows what spark to set off the chain reaction. Once set off, it would enable the region not only to get out of the woods but to undergo a development that no other region can hope for today. The economic situation is holding back the explosion and continues to erode the traditional sectors, while the new industries cannot make their full contribution. And for fear that the recession will wipe out the efforts already made the region is calling on other activities. At this level, the government, which wants to make nationalized firms the driving force of industry, has found the estuary to be a good laboratory: 25,000 there now work in firms depending on the public sector, instead of the 11,000 before the recent nationalizations.

The decision to build the high-speed Atlantic train does not solve the basic problem of north-south links, which are still very difficult, particularly among the large cities on the Atlantic coast. Improving these links would accomplish the goal that underlies the entire policy of developing the area: making the Loire estuary the metropolis of the west.

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PASOK: AUTHORITY AND THE ECONOMY

Athens MESIMVRINI in Greek 6 Sep 82 p 5

[Interview with an "economic figure" by K. Kolmer]

[Text] The following dialogue took place recently between a journalist and an economic figure, the subject of which is the repercussions on domestic economic developments from the resignation of the PASOK deputy, St. Panagoulis, from the position of deputy minister of the interior. It should be noted that from the day that the Panagoulis crisis manifested itself, a new postponement was given to business decisions (investments, expansions), with the slogan "let us think it over"!

[Question] I would suppose that the Panagoulis case, inclusive of the political consequences, would be an additional encouragement to the business world to believe that PASOK is implementing a "rightist" economic policy, which the private businessmen do not have to fear in any way, and on the contrary which they have something to gain from.

[Answer] The Panagoulis case may have been one more juncture which the Greek socialist government has gone through. But it does not constitute an encouragement to business circles as to any turn towards a pro-business policy by the government. As with so many other cases--such as the Fotilas case, which involved a pro-Western foreign policy but also saw objections in the form of memoranda on the Polish question, the case of Drettakis, with the favorable settlement in favor of intermediate-level owners of real estate at the FAP [expansion unknown], the case of Lazaris, with its visible and invisible ramifications, the case of Petsos, with its emerging parameters, and so forth and so on--the only thing which they demonstrate is the heterogenous nature of the composition of PASOK's leading group. But they do not change its essence, nor its aims.

[Question] Yes, but the charges leveled by Panagoulis against the government, in accusing it of "concessions to large-scale capital while the economic crisis is hurting above all the wage-earners," prove that PASOK is taking a stand with respect to private capital which is at least flexible, if not favorable.

[Answer] The only thing which it proves is that the economic crisis is general and quite simply is hurting more noticeably--as is natural--those who are financially weaker. But this does not mean that the socialist government is treating private capital in a favorable way or even is tolerating it. There is

a mutual mistrust, and the ultimate objective is to do away with this capital. Certainly not for reasons of personal animosity, but because of an ideology--I do not seek to determine whether it is good or bad. And mainly because striking out at the businesses "suits" the government by giving it a "scapegoat" which it can burden with all its excusable or inexcusable failures.

[Question] Give me a convincing example of this.

[Answer] I will not relate the case of Mrs Onasis, but will limit myself to a recent event: The Ministry of Finance announced with considerable pride that it has exposed tax evasion among multinational companies amounting to hundreds of millions of drachmas. The correct attitude of the ministry should have been that "one group, or at most these and those businesses, have been charged with overpricing practices." Not the condemnation in advance of certain companies, including some of the most important international firms, and with a charge which is not only thoughtless but also unjust. And that this accusation does not hold up is evident from the fact that the comparing of prices for imported raw materials was done either with prices of the Eastern countries or with those of "pirates" of the type which obviously do not add on the cost of research, testing, and so forth to their prices. Should I mention also other examples of anti-business behavior on the part of the government?

[Question] No, we are familiar with its machinations in the area of private initiative, such as socializations, unionist activity, and the preferential treatment of State agencies over private ones, and so forth. But if the Panagoulis case is regarded as a manifestation of a gradual disintegration of the government, is this not a vivifying hope for the "hostageship" under which the private economy has been suffering for 10 months now?

[Answer] No, my friend. It is not hopeful. It is dangerous. Because a premature dissolution of PASOK and a hasty resignation of the government not only will politically "rescue" the socialists--the perpetual day-dreamers and avowed enemies of the private economy--but also will turn away from the sole surviving road of reconstruction for the Greek economy: The restoration of a self-sustaining economic balance and a return to healthy economic principles in the administration and operation of the nation's economy.

[Question] That is, if I understand you correctly, PASOK must continue in power in order to be given the proof of its ruinous economic policy.

[Answer] Precisely. PASOK--our indigenous, utopian socialism--must not withdraw from power on the occasion of a minor political event, but rather under the general disapproval of all Greeks suffering financial hardship. What I am saying sounds harsh perhaps, but this time the 60 percent of the Greek people who believe in the vain hope of socialism must be proved wrong and must be taught a lesson. So that after this the Greek people can stop believing in "each for himself and the State for all." We ourselves are the State, we 9 million dictatorial and egoistic Greeks. And the only way we can acquire a genuine social awareness is when the hopes which rely on the socialization of our responsibilities are brought low and the hopes which are based on the "personalization" of our duties are revived, because it is only in this way that the Greek economy will be able to come to life again.

## INCREASED TRADE WITH GDR

Athens MESIMVRINI in Greek 7 Sep 82 p 7

[Text] The signing of a protocol marked the end of the proceedings of the first mixed Greece-East Germany biministerial committee, which was held in Berlin and in Leipzig from 3-5 September. According to this protocol, the German side has made a commitment to proceed to specific actions to increase its imports from Greece, because in this sector there was a steep drop in 1981.

Appended to this agreement is a list which includes agricultural and industrial products and construction materials, which will be procured by East Germany for the projects which it is carrying out in third-party countries.

Moreover, the protocol also provides for an increase in the participation of Greek industry in manufacturing the machinery which Greece is procuring from East Germany, and at the same time an increase in "know-how" licenses, patents, and the use of the necessary scientific manpower for a rapid transfer of technology.

In statements which he made following the signing of the protocol, Alternate Minister of National Economy I. Pottakis and the deputy minister for foreign trade of East Germany, Beil, stressed that economic relations between the two countries are taking on a new quality, which is finding expression in the harmonious and balanced growth in exchanges, in scientific-technological cooperation, and in joint productive activity, for which the two sides have undertaken to work out a program of long-range cooperation.

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## MARITIME CRISIS WORSENING

Athens AKROPOLIS in Greek 4 Sep 82 p 2

[Text] It is urgently necessary and serves the national interest for the government to make now those arrangements which will be conducive to the greatest possible reduction in costs for Greek ships, so that they can gain back a portion of the competitive capability which they have lost.

These things are stressed, among others, in yesterday's announcement by the Unions of Greek Shipowners of Pireaus and London, which have scheduled a joint conference in order to examine the consequences which are resulting from the continually worsening maritime crisis.

It is stated in the announcement that this crisis is hurting Greek shipping above all. At the end of August 892 Greek-owned ships were laid up worldwide. What we have is the worst crisis in Greek shipping in recent decades, and it is due primarily to the international economic recession.

The Greek fleet is being hurt more than others because among other things it does not have any domestic cargoes to ship, and in addition the cost of operating the Greek ship is higher in comparison to the fleets of the Far East, as well as compared to those of many European countries.

Shipowners, seamen, and the State--concludes the announcement--must now recognize their responsibility vis-a-vis this problem and proceed immediately to the implementation of realistic solutions. This is the only way we can decrease the number of ships out of commission, a step which will be conducive immediately to an increase in the inflow of foreign exchange, while also a rise in unemployment in this sector will be avoided.

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## INCREASED EXPORTS TO ALGERIA

Athens I VRADYNI in Greek 7 Sep 82 p 13

[Text] Exports of Greek products to Algeria will be expanded. In contacts which Minister of Commerce G. Moraitis had in Algeria with governmental authorities, specific procedures for achieving the above objective were defined. According to existing data, in the first 6 months of 1982 exports of our products to Algeria came to 2.130 billion drachmas in all. In 1981 our exports totaled 1.900 billion drachmas altogether.

These things were stated yesterday by Minister of Commerce G. Moraitis, who has returned from the Algerian capital in the company of the chairman of the Export Promotion Organization, Sp. Kharitos.

Subsequently, the minister said that he had contacts during his stay in Algeria with the deputy minister of foreign commerce, the minister of housing, and the minister of light industry, with whom he discussed issues which are of direct concern to the two countries.

In the course of these talks, Algeria's interest in increasing exchanges was confirmed once more, certain procedural issues were noted, and these were dealt with by using as a criterion that both the orders and their filling would be expedited.

From the Algerian side the assurance was given that there would be an acceleration of the rate of their imports from our country, so that at the end of the year there will be an impressive increase in our exports to this country. Specifically, there is strong interest in importing to that country cement, semolina, flour, and machinery (washing machines, refrigerators, coffee-makers, and so forth).

Moreover, Moraitis stated that in this coming week the precise date will be fixed for sending a delegation of Greek technicians from the Ministry of Public Works in connection with the well-known matter of undertaking the construction of 10,000 residences. In Algeria--as was learned--there is a housing program for the creation of 150,000 residences per year, but this cannot be executed by the Algerians themselves.

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## BALANCE OF TRADE IMPROVEMENT

Athens EXORMISI TIS KYRIAKIS in Greek 4 Sep 82 p 12

[Text] The developments in the balance of transactions on current account within the 5-month period of January to May 1982 were very favorable and in line with the expectations of the government of Change.

More specifically, a significant reduction appeared in the speed of advance of the deficit--amounting to a percentage of 28.1 percent, or a reduction of \$379 million--in the balance on current account within the 5-month period January-May 1982 in comparison to the corresponding time interval of the preceding year 1981.

These facts, among others, emerged from official data of the division of economic studies of the Bank of Greece, which were made public yesterday by the minister of national economy, Gerasimos Arsenis.

In more detail, the deficit in the balance of transactions on current account in the period of January-May 1982 came to \$968 million, compared to \$1.347 billion within the corresponding time interval in 1982 [sic: should be 1981]. That is, in this year's time interval, the deficit showed a decrease of \$379 million, or a percentage of 28.1 percent.

At the same time, a decrease amounting to \$386 million--which can be translated into a percentage of 13.8 percent--appeared in the deficit in the trade balance in the course of the same time interval in 1982 compared to the corresponding interval in 1981.

During the 5-month period of January-May 1982, the deficit in the trade balance came to \$2.401 billion, compared to the \$2.787 billion seen in the corresponding 5 months of the previous year, 1981.

Within this time interval for the current year, imports totaled \$4.259 billion, compared to the 4.937 billion seen in the 5 months of 1981. That is, this year a decline appeared which amounted to a percentage of 13.7 percent.

However, at the same time a slight drop was noted also in exports, since within the 5-month period of 1982 these came to 1.858 billion, compared to 2.150 billion within the corresponding interval of time in 1981.

## RISE IN UNEMPLOYMENT STATISTICS CAUSES CONCERN

Athens EPIKAIRA in Greek No 735, 2 Sep 82 p 17

[Excerpts] Unemployment is making its presence felt in the area of Greek economy.

According to the data of the official bulletin of the labor market movement of the Labor Force Employment Organization (they were released last week) there is an increase in the number of registered unemployed for the seven-month period of January-July.

Thus, the number of unemployed who were subsequently employed was 37,843 (as compared to 43,620 of the corresponding seven-month period of 1981) and the remaining registered unemployed were 50,985 as compared to 46,786.

It must be pointed out that these data involve registered unemployed while the true picture of unemployment is of far larger dimensions. The country's unemployed are estimated to be between 120,000 and 150,000. The Labor Force Employment Organization itself estimated the percentage of unemployed this spring to be (according to an EEC research) 5.8 percent instead of the 2.9 percent of the official Greek statistics. The OAED [Labor Force Employment Organization] in the figures released last week set the percentage of unemployment at 3.2 percent for the seven-month period of 1982 (the remaining 50,985 registered unemployed) while (according to the EEC research) the percentage is almost double (5.8 percent) which means (at least) double the number of unemployed also (registered or not) instead of the 50,985 that was released.

The worst of it all is that of the unemployed registered with OAED the percentage of unemployment by age is as follows:

Young persons under 29 years of age	65 percent
Remaining age brackets	35 percent

## New Jobs

In the meantime, the OAED is attempting to deal with the unemployment problem by creating 20,000 jobs for young persons under 29 years of age.

The program will subsidize businesses at the rate of 20 to 40 percent of the lowest salaries and wages for newly hired young persons for six months with the proviso that the business will employ them for another six months and will not lay off any personnel during that period.

The rate of subsidy is, specifically as follows:

- a. 20 percent for men hired by businesses of the third-party private sector (commerce, services).
- b. 30 percent for men hired by businesses of the two-party sector (industry and handicrafts).
- c. 30 percent for women hired by any category of business
- d. 40 percent for men and women hired by enterprises operating within the provisions of Paragraph three of Article three of Law 1262/15 6 82 "to provide incentives to strengthen the economic and local developemnt of the country," the export business and business manufacturing articles which incorporate and promote new technology.

It is commented in the economic circles that, with regard to the hiring of personnel, this involves business activity (investments, etc.) and, as is well known, the Greek economy suffers terribly in this area.

The Registered Unemployed  
(Seven-month period January-July)

	<u>1982</u>	<u>1981</u>
Registered unemployed	11,467	8,944
Laid off	13,877	13,215
Emloyed	37,843	43,620
Vacant jobs	726	1,263
Remainder of registered unemployed	50,985	46,786

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## BRIEFS

PRC INTERESTED IN COTTON--A delegation from the Chinese Embassy consisting of the commercial attache (Doun Song) and (Yao Zhen) of the Chinese Public Export Service visited the Cotton Organization recently and took part in a conference under the chairmanship of its president, Andr. Frangias. At this conference views were exchanged in connection with the possibilities of exporting Greek cotton to China. For his part, Mr (Yao Zhen) stressed that the PRC has begun just now to export a small amount of long-fibered cotton to Romania and Hong Kong, and it is interested in importing cotton from Greece, the quality of which is exceptionally good. The officers of the Cotton Organization briefed them about the superiority of Greek cotton, especially in terms of its technological characteristics, with it being better even than that which comes from California in the United States. But they also informed them that at present the cotton reserves are low, and it is expected that they will be absorbed easily by Greek industry. [Text] [Athens MESIMVRINI in Greek 2 Sep 82 p 8] 12114

INCREASED UNEMPLOYMENT--This year, the registrations of those out of work at the offices of the OAED [Labor Force Employment Organization] have increased by 28.2 percent in comparison to the period of January-July 1981. The corresponding increase in a comparison of the years 1981 and 1980 was 9.7 percent. The above figures come from the OAED, and they show the impasse which greater and greater masses of people are continuing to arrive at. The problem presents itself as especially severe among young people, who constitute 60 percent of the total number of people unemployed. In order to deal with this problem, very soon an announcement is going to be made concerning a very broad program of accelerated vocational training for young people above all, which is being drawn up and will be implemented by the OAED, the Ministry of Education, and the Ministry to the Premier. [Text] [Athens AKROPOLIS in Greek 27 Aug 82 p 1] 12114

CSO: 4621/445

## NEGOTIATING EEC ENTRY HARD TASK FOR NEXT GOVERNMENT

Madrid EL PAIS in Spanish 14 Sep 82 p 55

[Article by Soledad Gallego-Diaz: "Spain-EEC Relations Sidetracked Until April"]

[Text] Brussels--The government that is elected next 28 October will have to give serious thought to the negotiations with the European Economic Community, which have been at a standstill for more than 2 years. First off, the new administration will have to take a clear stand on a new theory that is gaining support among EEC experts: Spain's entry can come only under an original arrangement, different from the one used in the two previous expansions.

The talks between Spain and the EEC, which practically never achieved the status of negotiations, have been more at a standstill than ever during the second stage of Leopoldo Calvo-Sotelo's administration, in spite of the Foreign Ministry's efforts to keep up an image of continuity.

In this vein, the Spanish Government has not canceled the deputy-level negotiating session scheduled for early October, although it will surely be a completely superfluous meeting, as has been the case in recent months.

Fifty days before legislative elections are to be held in Spain, the situation is as follows: The 10 countries that make up the EEC have accepted France's arguments that Spain's entry requires the prior solution of a number of major problems, including the Community's financing system. The 10 EEC countries have accepted a new list of points, which in practice means only a prolonging of the already exhausting twists and turns in the 4-year old conversations with Spain.

In the face of the total immobility of the Spanish Government, which with the arrival of Leopoldo Calvo-Sotelo as prime minister chose to follow the advice of the European Commission and continue to hand in documents and papers without the slightest hope of progress, some experts in European affairs have been coming out with a new theory that, if it holds, could mean a 180 degree shift in the current proposals for Spain's entry.

## Dead End

These experts, most of whom are close to the countries that would be most affected by Spain's membership, are unofficially circulating the following view in political circles close to the EEC: The expansion of the EEC to 12 members could lead it into a dead end.

Yet there is no political reason to veto Spain's entry, which, quite to the contrary, would enhance stability in southern Europe.

The only solution, according to them, is to invent a new arrangement for the expansion, so that Spain can become a member of the EEC at the political level without the Common Market running any economic risks.

The arrangement would be as follows: a lengthy transition period (which Spain is not opposed to as long as it is the same for all facets of membership, industry included) divided into stages, with movement from one stage to another contingent on approval by the Council of Ministers.

This division into stages, which would all have to be approved by the EEC as a whole, could mean a two-speed Europe: the 10 member countries as of now, on the one hand, and Spain on the other, inasmuch as Portugal does not pose any insoluble problems for the current EEC.

## Political Gains

One of the branches of the European Commission, the EEC's governing and bureaucratic body, drafted an internal report this summer that discussed this possibility, although it rejected it with an argument that is, at the least, odd: this arrangement could not be applied just to agriculture and to Mediterranean products as a whole (which would be desirable); rather, it would encompass all sectors, which means that the Spanish Government could also refuse to move from one stage to the next, in the area of industry, for example.

Since the main problems involved in Spain's joining the EEC are normally brought up by the French Republic (though behind the scenes other countries like Italy, the FRG and the United Kingdom are not that far apart from Paris), there are those who feel that a PSOE [Spanish Socialist Workers Party] victory at the upcoming elections would help move the talks forward.

The PSOE's experts have not yet formulated a clear-cut stand on relations with the European Economic Community, though if the party wins, none of the various hypotheses under study would ever be put into practice before the French municipal elections scheduled for next March.

## Two Possibilities

In any event, the PSOE has ruled out two possibilities: accept the theory of stages tied to Council of Ministers approval, at least as it is now

formulated, and continue the approach started by Prime Minister Leopoldo Calvo-Sotelo, in other words, hold on without reacting in one way or another.

Relations between the PSOE and the French Socialist Party (PSF) in connection with Spain's membership in the Community are not at an outstanding juncture.

The secretary general of the Spanish Socialists, Felipe Gonzalez, considered his meetings with French President Francois Mitterrand, at least his private talks, far from constructive, and the fact is that after their meeting and the categorical failure of the gathering of European Socialist parties last June in Marseilles to address the problems of the Mediterranean, contacts between the two parties in this regard are nonexistent.

#### Discontinuing Contacts

Felipe Gonzalez allegedly felt that it was better to discontinue contacts before a break occurred and to negotiate government to government when the time came.

Felipe Gonzalez's decision was fully justified, according to Socialist experts, in light of the hard-line stand taken at the Marseilles meeting by Andre Chandernagor, the French secretary of state for EEC affairs. The president of the French Socialist Party himself, Lionel Jospin, did not soften the situation at all either.

Spanish Socialists feel that the EEC is one of their priority problems if they come to power. The fact that the FRG, which is theoretically interested in Spain's entry for industrial reasons, will take over as EEC president next 1 January does not alter this view.

Helmut Schmidt's Social Democrat-Liberal government is going through extremely bad times and will not be able to fulfill Spain's expectations. The PSOE would prefer to wait until the municipal elections are over, so as not to irritate the French, before going on record concerning relations with the European Economic Community.

Only then would a newly installed Socialist Government apply strong political pressure to get the talks moving again.

It would be helped by the differences of opinion that are beginning to emerge between French Socialist Party experts, who find themselves increasingly at odds. Some argue that Spain cannot join the EEC until all of the internal problems of the 10 members are resolved, while others feel that Spain's presence in Brussels would be just the thing to improve the Community's policy for Mediterranean agriculture.

This, for example, is the argument of one of the French Socialist Party's advisers who is a high-level official on the European Commission.

The PSOE experts will be able to tell next month (October) in Brussels, in the midst of the election campaign, whether the French position has become more flexible.

#### Europe-United States Relations

At an as yet undecided date the Union of European Socialist Parties will hold another meeting in the Belgian capital, this one devoted to relations between Europe and the United States. Felipe Gonzalez or whoever represents him in Brussels on behalf of the PSOE will have the opportunity to speak again with Lionel Jospin and also to feel out the U.S. position on his possible victory at the polls. The guest list includes several prominent Republican senators and congressmen and probably Edward Kennedy representing the Democratic Party.

Whether the PSOE wins the upcoming general elections or not, the fact is that relations between Spain and the EEC regarding our country's membership will continue to be sidetracked at least until next April and that the next Spanish Government might have to respond to a move by The Ten that will demand thorough analysis, because the wrong reaction could spoil Spain's chances for membership.

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## TERMS OF \$1 BILLION MILITARY EQUIPMENT SALE TO EGYPT SUMMARIZED

Madrid ACTUALIDAD ECONOMICA in Spanish 2 Sep 82 pp 12-17

[Article by Ana E. Pereda: "The Big Contract"]

[Text] The largest export transaction in Spain's history has just been signed. The contracts worked out by Bazan, Enasa and Land-Rover Santana to supply Egypt with military ships and vehicles total 107 billion pesetas.

"This is the largest single export transaction that our country has ever executed," were the first words spoken last 24 August by Government Vice President and Economy and Trade Minister Juan Antonio Garcia Diez upon his arrival at the military zone of Barajas Airport on the way back from Egypt. The Spanish committee, also consisting of Carlos Bustelo, the president of INI [National Institute of Industry], and Juan Arenas, the direct general of exports, expressed satisfaction after hammering out the final details of year-long negotiations with the country of sand and pyramids.

The amount illustrates their success: \$978 million (about 107.5 billion pesetas) in contracts calling for the sale of military vehicles and ships to the Egyptian Defense Ministry. This extraordinary figure can be broken down into a \$584 million contract with Empresa Nacional Bazan for the purchase of 2 "Descubierta" corvettes and 6 "Cormoran" 435 patrol vessels; a contract with Enasa (Empresa Nacional de Autocamiones) for the purchase of 3,000 trucks, 3,000 armored vehicles and 200 buses worth \$370 million, and another contract, valued at \$24 million, for the purchase of 2,000 all-terrain vehicles from Land-Rover Santana.

All parties agree that the negotiations were extremely tough and the contract awards hard-fought. Like all contracts, this one has a lengthy history of initial contacts, committee visits, bargaining sessions, competition and rivalries, and a hard search for suitable financing...What was the secret element that enabled Bazan to defeat its Italian and British rivals? Perhaps Felix Alonso-Majagranzas, the president of Bazan, has revealed the factor: "The delivery time had a lot to do with the awarding of this contract. In this regard the Spanish Navy helped a great deal by giving up two corvettes that it had ordered and whose construction was quite far along and agreeing that its two units would

be delivered later. We also received the support of the economic and business financing authorities and of the INI." And what was the key to the contract with Enasa? Aside from the enterprise's longstanding trade with Egypt and the fact that its vehicles passed the tests to which they were subjected, there was one essential factor, as Augusto Guitard, the managing director of Enasa's Military Division, acknowledges: "Enasa was more open than the other foreign firms when it came time to dealing with the future possibility of an Egyptian company manufacturing part of what we are sending them, even though it would have to be a contract with us, a technical or technical and economic cooperation pact, which would be worked out at that point. We would be willing to take a look at a proposal."

#### Enasa, the Trailblazer

Enasa was the first Spanish company to break into the Egyptian market with this kind of offer. It arrived in the early 1970's with urban buses, but the 1981 contracts set the precedent for the latest transaction. The managing director of Enasa's Military Division recalls the outset of the negotiations: "In the fall of 1980 a trade mission representing the Economy and Commerce Ministry, INI and Enasa visited Egypt and looked into the possibility of selling them Pegaso products that looked interesting. In early 1981, along with a group of technicians and mechanics, we sent them several models of all-terrain vehicles that Enasa has been producing for more than 12 years. They did testing there for 2 months, competing with German Magirus, Italian Fiat and U.S. American Motors vehicles. The prototypes we sent must have done well, because discussions soon began on the economic terms of a possible order, culminating last 15 April with the signing of an initial \$180 million contract that called for the purchase of 500 buses and 2,640 model 170 HP all-terrain vehicles with a special cabin for military uses, delivery of which has been practically completed by now. Three months later a second deal with Egypt was closed, calling for the delivery of 5,000 more trucks worth \$279 million. Lastly, the third transaction in the overall contract with Egypt involves the first-time overseas sale of 600 BMR armored cars, a 306-horsepower amphibious vehicle that can achieve a top speed of 110 kms/hr on the road and carries 13 combatants. The model that Egypt contracted for incorporates an armored turret for a Cetme machine gun and optical equipment manufactured by the National Optics Enterprise (Enosa). The BMR, which has been manufactured in Spain since 1979, had never been sold overseas. In Egypt it was subjected to 5 months of technical and endurance testing, along with 10 other vehicles, the main ones being Fiat (Italy), Mowag (Switzerland-Canada), Renault and Panhard (France) models. In addition to the armored cars, 3,000 more trucks and 200 buses were purchased. The deliveries of the first two types of vehicles will conclude in late 1985 and the delivery of the buses in early 1983.

The sales under the latest contract between Enasa and the Egyptian Defense Ministry in July total \$371 million. Thus, in less than a year and a half, Egypt has contracted to purchase vehicles worth more than 91 billion

pesetas from Enasa. "Over the next 3 years this means jobs in Enasa for around 2,500 of its 10,000 regular personnel, and in addition to covering costs and all sorts of outlays, we are making somewhat of a profit," Guitard says.

Under the new contracts Enasa is producing 32 trucks a day, double its normal rate, and plans to put out 30 BMR units a month. The contract as a whole affects all of Enasa's factories, located in Barcelona, Madrid and Valladolid. However, the production of the BMR will help the Valladolid plant the most, as it specializes in military constructions and was having the most problems. But the transaction does not just entail the manufacture of vehicles. "A very important part of all the contracts (about 15 or 20 percent of the dollar amount) involves spare parts, vehicle inspection and repair courses and training for Egyptian technicians," say Guitard.

These contracts have been a godsend to the enterprise, which is in a severe slump in the domestic market, recording losses of 11.468 billion pesetas in 1981, with billings of 45.603 billion pesetas, 11.801 billion of which were accounted for by exports, almost all of which were civilian in nature.

#### Bazan, the Biggest Contract

The contract between Bazan and the Egyptian authorities was signed in June, culminating the negotiations that began at the beginning of the year. Of the \$584 million transaction, about \$300 million is for the two "Descubierta" corvettes. These are escort vessels designed for surface attack and defense missions, antiaircraft and antimissile defense, antisubmarine defense and attack, coastal bombing and electronic warfare. They can also be used as training ships, personnel transports and territorial waters patrol and defense vessels. The "Cormoran" 435 patrol vessel, six of which have been contracted for, is a high-speed vessel outfitted with a weapons system that enables it to take part in raids against surface forces, protect convoys and in peacetime to operate as a patrol boat and monitor ships located in jurisdictional waters. The two corvettes are scheduled to be delivered in 1983 and 1984, the patrol boats in 1984 and 1985. "In terms of size and timing, this is the most important contract that Bazan has ever signed," asserts its president, "and logically we are anticipating a profit margin, so we expect to make money." Moreover, the contract means that the company can continue the exports it needs to "maintain its 15,000 job posts over the next 30 months, plus the boost it gives to the auxiliary industry. We should also stress that the technology in these Spanish products is to a very great extent domestic."

The contract with Egypt will greatly help the plant in El Ferrol and, in particular, the factory in Cadiz, which was concluding a work program under contracts signed with Mexico and the Congo.

Bazan's sales invoices for the past fiscal year totaled 57.593 billion pesetas, 13.836 of which were for exports. Losses were put at 2.5 billion, a deficit that will soon be made up, in the view of the Bazan president: "This contract is extremely timely. The company's balance sheet will be in balance or nearly so in 1983, aside from this latest transaction with Egypt, which is the first one we are doing in the Middle East, and its effects will not be felt until the deliveries begin."

#### A Boost for Land-Rover Santana

Land-Rover Santana has not yet signed its contract with Egypt, but this is a mere formality because the financing details have been practically completed. The trade agreement with the company calls for the delivery of 2,000 Land-Rovers, 109 with gasoline engines and canvas roofs, with only their extras and equipment yet to be determined. The Economy and Commerce Ministry puts their value at between \$25 and \$30 million (2.75 and 3.3 billion pesetas), though company sources are more conservative and estimate the amount at between 1.8 and 2.1 billion pesetas.

The origin of the contracts goes back to late last year, when the company sent Egypt several prototypes that were subjected to various performance and endurance tests in competition with vehicles from Japan, Great Britain, Romania, Italy and Germany. From that point on, developments paralleled the Enasa deal: confirmation of the model and the start of studies on the economic terms early this year.

Although this is a smaller contract than the ones with Enasa and Bazan, it is important to Land-Rover Santana, a company with 40 percent British capital that in 1981 did 18.5 billion pesetas worth of business, close to 6 billion of which was accounted for by foreign sales. "This contract guarantees an employment period in our plants that complements our normal work periods, which is a big boost to us. So far the company has not had losses in any year, but the domestic market is in a severe slump, which we have tried to offset by looking to overseas markets, mainly Central America, South America, North Africa and the Middle East," says Jose Manuel Verdu, the Land-Rover Santana sales manager.

#### Financing Operation

The three companies agree that one of the keys to their success was the financing terms that the Spanish Government gave them, terms that were too generous in the view of others outside the favored parties. What they basically were were special loans to finance the transaction that are not part of previously established credit lines

Some 85 percent of the \$978 million contracts will be channeled through export credits granted on market terms by the Foreign Bank of Spain. The remaining 15 percent is covered by FAD [Development Aid Fund] credits awarded by the Institute of Official Credit at 5.5 percent interest and with a 15 year term, conditions that are close to normal for this kind of preferred credit. The Bazan transaction and part of the land

equipment contracted for with Enasa will be financed by Foreign Bank credits at an 8.5 percent interest rate and with a 10 year payback period. The remainder of the Enasa contract will carry a 10 percent interest rate and a 10 year payback term. The kind of financing that Land-Rover Santana will get has yet to be decided.

The deliveries of the contracted equipment will conclude about 6 years before Egypt finishes paying back the Foreign Bank and 10 years before payments to the Institute of Official Credit are completed. In 1983 Cairo will be sent \$230 million in equipment; in 1984, \$310 million will be shipped; \$230 million more in 1985, and \$150 and \$67 million in 1986 and 1987 respectively, thus concluding the deliveries of vehicles and vessels.

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## MORTAN SURVEYS KAFAGLU'S AREAS OF 'REVISION'

Istanbul CUMHURİYET in Turkish 16 Aug 82 p 6

[Report by Kenan Mortan]

[Text] Izmir--As Minister of Finance Adnan Baser Kafaoglu completes his first month in office, the transitory measures taken by his ministry appear to be focusing on the banking sector. The withdrawal of the proposal in connection with the repayment of MEYAK [Government Employees Mutual Aid Society] funds and statements to the effect that wheat purchases caused excessive money emission rates were also noteworthy developments in this one-month period.

In a press statement on 8 August, Kafaoglu said that he "inherited a very grave legacy." During a press conference on 30 July, Kafaoglu said that certain provisional measures will be taken to straighten the economy and that these measures will be announced in due time.

## Revision in Taxation

Following Kafaoglu's coming to office, revision work got under way in three main areas. The first of these is related to the reorganization of the taxation system. While consideration is given to reorganizing the Revenues Directorate General into an undersecretariat or a secretariat general, the main goal remains the strict enforcement of tax collection. It appears that the main goal of the efforts made in this area is the full collection of the taxes assessed rather than the creation of new sources of tax revenues. A parallel line of efforts on the tax issue is concerned with the review of the customs tax exemption levels, which were raised in the wake of the 24 January [1980] stability measures. The objective of these efforts, which were launched on grounds that "the weight of the customs taxes in the Turkish taxation system has decreased," is to review the exemption decrees and to abandon excessive government subsidies in exports. It is observed that, by an extension of these efforts, the Central Bank has reduced the amount of discount loans it extends for exports and that the mentality of "exports at any cost" is being abandoned.

## Capital Market

The second revision work has been launched in the capital market area. According to a proposal sent to the Office of the Prime Minister after being reviewed by

Kafaoglu himself, from now on, only banks will be able to form investment partnerships. Consequently, the brokers who have survived will find their activity options severely restricted. Meanwhile, an important directive issued by the Ministry of Finance in connection with "bankrupt brokers" stipulates that outstanding interest on company bonds marketed by brokers be paid by the companies which have issued the bonds. Another decree issued in connection with brokers revokes free interest rates for brokers. Meanwhile, a foundation has been prepared to permit the operation of MEBAN [Securities Banking and Finance Corporation] as a specialized bank by providing support for this institution through the Central Bank.

#### Firms to be Rescued

The third line of revision efforts is concerned with the establishment of a specialized bank which will deal with firms on the verge of bankruptcy. This bank, which will go into operation in September, will provide support, on the basis of objective criteria, to firms which are forced to halt their production. However, it is still not clear how funds will be allocated to this bank.

While the revision work continues in these areas, Kafaoglu made certain statements which are of significance to the producer sector.

The first of these statements was the announcement that the draft bill envisaging the repayment of MEYAK cutbacks, amounting to 26 billion Turkish liras, was withdrawn from the Consultative Assembly. The second important development was the adoption of a formula which envisages that seniority benefits for workers be computed on the basis of the average pay of the worker over the years he has worked. The third important development concerns the payment of floor prices for wheat. At a time when there were increasing rumors to the effect that the Soil Products Office cannot pay for wheat purchases, Kafaoglu said: "The policy of floor prices is the main factor causing increased money emission. Furthermore, the problem is most acute in grains." This statement officially confirmed the rumors that payments for wheat purchases will be delayed.

During this one-month period, the most important development, which can constitute the main framework of the policies to be pursued from now on, was the dispatch of a new letter of intent to the IMF on 20 July. The letter, which was only reviewed by Kafaoglu, contains a clause which refers to "tighter money policies," implying that belt-tightening policies will continue to affect all segments of the society.

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## ULUGAY QUESTIONS TURKISH CAPITULATION TO IMF

Istanbul CUMHURİYET in Turkish 6 Sep 82 p 6

[Text] The unveiling of "intermediate models" that have been mentioned for a long time by Finance Minister Kafaoglu will take place after the meetings of the International Monetary Fund and the World Bank. It appears that there is no willingness to place into implementation these intermediate models before the views of the IMF in particular can be learned in detail, and that the package of measures which are supposed to bring an end to stagnancy and anticipation in the marketplace can be opened only after negotiating with, or obtaining the approval of the IMF. It is hoped that IMF experts who according to a news item in the newspaper Hurriyet confessed to "having given Turkey the wrong prescription" will this time provide the correct prescription and not suffer from subsequent headaches.

While the debate on whether there is a country other than Turkey that so unreservedly and unconditionally follows IMF prescriptions remains underway, it is useful to once again examine the basic nature of these prescriptions in the light of the latest report by the IMF.

The latest report prepared for submission during the yearly meetings of the IMF which are supposed to take place at the present time, indicates that the war against inflation has yielded successful results. According to the report, the average rate of inflation which had climbed to 14 percent in major industrial nations following the petroleum shock of 1979, has been lowered to 5 percent for the first three months of 1982. However, this achievement which has been brought about at the expense of production and trade declines almost everywhere in the world as well as unemployment levels that have reached unprecedented dimensions, is being primarily attributed to a decline in the price of petroleum and basic raw materials.

The following sentences concretely illustrate the point which the IMF wants to make: "The decrease in the rate of increase observed in the case of basic production costs and wages in particular, has remained below the slowdown in final costs. It is imperative that restrictive monetary and economic policies be insistently continued to bring about an even greater decrease in the rate of increase affecting basic costs and wages."

This once again puts forward the fundamental logic that is inherent to the restrictive "anti-inflationary" policies defended by organizations such as the IMF and the OECD over the past three years. In summary, this logic upholds that wages must be reduced in order to conquer inflation. This necessitates that the influence of labor unions be reduced and that their will to resist be broken. The logic goes on to uphold that if unemployment reaches unbearable dimensions as the result of restrictive policies, pressure exerted on labor unions will increase and a working class intimidated by unemployment will agree to lower wages and a decline in real income. It is felt that a decrease in wage increases will encourage employment at low starting salaries while increasing profitability for owners of capital and making them more eager for new investments. In the long term, this would represent a solution to the problems of inflation, lack of growth as well as unemployment.

As indicated by Sungur Savran in a serial article on France published last week by Cumhuriyet, the impossibility of simultaneously increasing profits and workers' wages within a capitalist economy in crisis has lead organizations such as the IMF and the OECD to seek a way out of the crisis by reducing real wages.

While the economic validity of these prescriptions and their potential to impose stress on even the most democratically rooted political structures is being debated throughout the world, it would undoubtedly be useful if these debates were to be conducted on an even more intense scale in a country such as Turkey which has an economic structure that is largely dependent on the domestic market and political problems that are indigenous. Those who are at decision making levels in Turkey must carefully calculate the cost of adopting constitutional and institutional measures to limit labor union activities and wage increases while unquestioningly conforming to sound as well as unsound prescriptions by the IMF.

## STATUS OF SEE'S IN NEW CONSTITUTION EXAMINED

Istanbul CUMHURIYET in Turkish 7 Sep 82 p 2

[Text] State Economic Enterprises were established by Ataturk in the early years of the Republic. Their purpose is the creation of additional sources of investment by utilizing commercial principles such as profitability and productivity to operate in the economic field. State Economic Enterprises have assumed large responsibilities and made significant contributions throughout the process of economic development and industrialization in our country.

State Economic Enterprises are among the most debated topics in public opinion. They suffer from several political, managerial, financial and organizational problems as well as problems in the areas of oversight and personnel. These organizations have operated below their capacity because of political interventions that have gone as far as interfering with their day to day operations, as well as the price controls that have been imposed on the goods and services that they produce. The formation of a qualified team at the upper levels of management has been prevented by low salary levels and the frequent changes in leadership brought about by political instability. Because of great differences in status, the administration of State Economic Enterprises has been a very difficult task. As these organizations have conducted their activities while remaining attached to several ministries, coherent and effective decision making for problem solving purposes has not been possible.

In the time period between the establishment of the State Economic Enterprises and the present, various proposals have been forwarded for the purpose of resolving these problems. However, a significant number of these proposals have never been implemented and those that have been implemented have not produced the desired results.



Law 3460 was adopted in 1938 for the purpose of ensuring compliance with economic requirements by enterprises which have their entire capital owned by the state. This law provided autonomous status to such economic enterprises which are not covered by the general budget. The law provided for a three branched organizational structure in the case of these enterprises. Following the going into effect of the Constitution of 1961, administrative functions were defined by Law 440 while the duties of the general councils of these enterprises were defined by Law 648. Continued oversight was provided by the stipulations of Law 3460 that remained in effect.

The program of the government which was formed after 12 September 1982 gave room to functional restructuring designed to enhance the productivity of State Economic Enterprises. Law proposals prepared by ministries with which the State Economic Enterprises are affiliated and the State Planning Organization have been presented to the Council of Ministers in connection with this restructuring.

The primary objective of the latest proposal on the agenda of the Council of Ministers is to ensure that State Economic Enterprises will be administered in conformity with the rules of modern management, and that these enterprises will assume a character that is self-sufficient as well as compatible with competitive practices in the marketplace. According to this proposal, the establishment, organization, management and oversight of State Economic Enterprises are to be conducted according to rulings and principles found within the framework of Turkish Commercial Law. Accordingly, the commercial law stipulation which states that those who engage in commercial activity must conduct themselves in the manner of a prudent merchant will be applicable to State Economic Enterprises as a guiding principle.

While work on this proposal continues, emphasis is being given to a new alternative which is based on the principle of administering State Economic Enterprises by directives prepared in conformity with the Authorization Law. State Economic Enterprises have been included within the scope of Law 2680 which was adopted on 6 June 1982. This law pertains to the establishment, responsibilities, powers and administration of public agencies and foundations. According to this law, additional criteria such as usefulness to the nation's economy, productivity and profitability will be taken

into account in the establishment and organization of State Economic Enterprises.

At this time, the draft constitution presented by the Constitutional Committee of the Consultative Assembly to the General Council of the Assembly takes a very different approach to the organization of State Economic Enterprises. Articles 142, 143 and 145 of the draft stipulate that the budgets of State Economic Enterprises should be consolidated into a single detailed budget which would be presented at the beginning of each December to the Budget Committee of the Turkish Grand National Assembly. Article 192 expands the scope of the Accounting and Audit Department by placing State Economic Enterprises under the oversight of this department.

The consolidated budget comprises the general budget and the supplementary budgets. State Economic Enterprises and organizations are likely to lose from their autonomy and effectiveness in the event that they are administered by a consolidated budget which would treat them like organizations that have general or supplementary budgets. Currently, State Economic Enterprises are pursuing their activities by preparing operational budgets that cover their investment and finance programs as well as their payrolls. Because of rapidly changing economic conditions and needs, these enterprises are being forced to undertake several revisions of their operational budgets each year by resubmitting them to their authorized agencies. As it will not be possible to obtain timely and easy budget revisions from the legislative branch, such a situation would adversely influence the functioning of the enterprises.

As has been the case in Turkey, state enterprises in foreign countries have been left beyond the scope of traditional oversight organs such as the Accounting and Audit Department. Instead, special attention has been provided to such enterprises as required by specific situations. The oversight that is to be provided in the case of these enterprises must go beyond a mere assessment of their activities by a scrutiny of their documents. Rather, their activities must be followed as well as evaluated on site and these evaluations must once again be taken up by centralized agencies. Economic oversight involves evaluations on the basis of productivity and profitability while not interfering with management.

Oversight provided by the legislative branch has been the subject of several intense criticisms. These have included

the fact that only general discussion may be undertaken by the legislative branch in the case of figures and operations pertaining to State Economic Enterprises that have their own general councils. Another criticism has concerned the oversight that has been provided in the case of enterprises that are supposed to be debt free. Such oversight has been inconclusive because there are no clear and definite indicators to point to the fact that an enterprise is not debt free. Several proposals have been forwarded to make such oversight more effective.

Article 192 of the draft constitution states that the oversight to be provided by the Accounting and Audit Department will be conducted on the basis of principles such as legality, economic soundness, productivity and appropriateness. It can nevertheless be sensed that such oversight is likely to emphasize the bureaucratic soundness of procedures and expenditures, discrepancies between documents and records as well as the determination of financial and administrative responsibility. Yet, the characteristics of State Economic Enterprises demand oversight over all of their administrative, financial and technical activities. Such oversight must be of a kind that will investigate and determine whether State Economic Enterprises are operating in a manner that is productive and profitable. Such oversight must provide direction and enlightenment with its directives and suggestions so that the enterprises can improve their situation.

The draft constitution provides for an arrangement whereby the Accounting and Audit Department would serve as the initial as well as the final arbiter of all figures and procedures pertaining to State Economic Enterprises. This stipulation would transform the three branched (executive, oversight, legislative) structure currently inherent to these enterprises into a two branched structure. The legislative branch would no longer have any influence over the enterprises. Moreover, difficult problems would be created for enterprises that report to their own general councils.

The draft constitution brings State Economic Enterprises under the control of the Accounting and Audit Department and utilizes the consolidated budget to establish a link between the state budget and the budgets of State Economic Enterprises. These provisions are not in conformity with the economic autonomy of these enterprises and fall contrary to the principle stipulating that the enterprises should be able to function in a manner that is compatible with the

needs of the economy. These provisions also undercut the flexibility that is required by these specialized enterprises in conducting their operations and fall contrary to the principle of operating these enterprises in a manner that is profitable as well as productive. Although State Economic Enterprises are supposed to operate in accordance with commercial principles and remain in conformity with the rules of competition, these provisions within the draft constitution could create a situation whereby the enterprises become inoperative and their activities are affected by shortages and problems.

The providing of services on a continuous basis is the primary point of interest in the case of agencies that are not enterprises. In the case of such agencies, factors such as production costs and profitability do not play a role. In contrast, production costs, profitability and productivity are more important than services in the case of State Economic Enterprises. An attempt to organize State Economic Enterprises without paying attention to these particularities will not provide the desired results. At this time, the most valid and suitable approach to the revitalization of State Economic Enterprises is the one articulated by a report prepared by the Budget and Planning Committee of the National Security Council on 7 June 1981. The report pertained to oversight for State Economic Enterprises and was approved by the National Security Council during its meeting which took place on 8 November 1981. The report drew attention to the fact that the primary difficulties facing State Economic Enterprises originated from operational shortcomings as well as faulty external policies and not from the models being used to administer the enterprises. Accordingly, what is needed is not the implementation of new models with uncertain potential for success, but rather the protection and development of an existing system that is familiar and that has been successful for many years.

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## KETENCI WEIGHS CONSTITUTIONAL PROVISIONS FOR WORKERS

Istanbul CUMHURIYET in Turkish 29 Aug 82 pp 1,9

[Article by Sukran Ketenci: "What Changes Have Been Made in Favor of the Worker?"]

[Text] The articles of the draft constitution which regulate worker-employer relations have cleared the Consultative Assembly without undergoing any change, despite warnings from several quarters by unions and knowledgeable people. The sole change which may be considered positive was, in article 59, on small workplaces at which strikes and lockouts are prohibited, the reduction of the prohibition to workplaces of up to five workers instead of up to 10, without altering the concept itself. However, in the rule in the article which prohibits the enjoyment of union rights by workers in small workplaces, a single interpretation was made in the workers' favor through a change in the definition of a small workplace; it may disturb some that silent, unvoiced new supplements were added to the article and the strike prohibition was introduced for workers in associations and charitable foundations which are under state protection and which perform public service. Thus, this prohibition, which leaves workers employed in small workplaces and the associations under consideration unable to utilize any union rights, will lead to a further increase in the number of small operations (already widespread in Turkey) and to the establishment of a great many small operations in place of large ones by employers seeking to escape union obligations. It will also have an adverse effect on the growth targeted in industry.

Article 50 in the draft, by which the state will oppose monopolies and cartels and will take measures to block their formation, was sent to the committee. As to this article, which committee spokesman Sener Akyol boastfully called "in favor of the worker" in his televised argument, we shall see what form it will take in the committee.

Article 62 says that wages and monthly salary are to correspond with the amount of work. This is proper as a standard. However, there is also the concept of the social wage. What about year-long paid leaves of absence, weekly vacations, or wages paid without work being done for numerous other reasons? If production in the workplace stops for a necessary reason, is the worker not to be paid? With the insertion in the constitution of this rule, which is not in the 1961 constitution, the notion of the social wage is pushed aside. Whether the social wage, given for various reasons without work being performed, can be paid is a matter of debate.



The subsequent paragraph of the same article provides that the payment of wages, monthly salary, bonuses and social assistance be considered by the state according to the term of work, output, the value of the labor, quality of work, and the principles of seniority and merit; this raises new ideas and reservations. In particular, in our country where industry is in dire straits, with declining productivity as a result of goods produced which cannot be sold, raw material shortages and energy insufficiencies, the insertion into the constitution of a wage concept related as a general rule to output and labor value would not only be in total contradiction to the social concept of wages, but would produce very serious consequences detrimental to the worker.

In the establishment of the minimum wage in the third paragraph of the same article, still more dangerous ideas, in total contradiction to the principle of the social wage, such as "the economic strength of the country, work branches and sectors," acquire a constitutional character. Above all it is an issue requiring the establishment, by regulation, of how the minimum wage--a humane living wage--is to be determined. Once the 1961 constitution's concept of "a wage appropriate to human dignity" is left out of the draft of the new constitution, a wage not in keeping with human dignity may be designated as the minimum wage in depressed sectors, in cases where the economic situation is bad, or in work branches not requiring a skilled labor force. Certainly this article in its entirety contradicts the international minimum wage concept, which is a humane living wage.

In the last paragraph of article 62 is another rule which negates the integrity of collective agreements and which would rescind the rights gained through collective agreements: the state will take the necessary measures in order to bring wages to a level suitable to a monthly salary for all workers, and especially for workers in public establishments. It is a recognized fact that many of the rights of officials working in the public sector remain below the rights gained by workers. Economic pretexts are put forward for not having raised officials to the level of workers. In this situation, if officials are not elevated to the level of workers, the rights which workers have gained through agreements may be taken back on the basis of the constitutional rule in question. Of course, it must be emphasized that practices and examples which curtail the integrity of agreements in this fashion are not encountered in the regulations, or in constitutions, laws, or jurisprudence, of democratic countries.

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## MEASURES OUTLINED TO CHECK BANKING CRISIS

Istanbul CUMHURIYET in Turkish 28 Aug 82 p 10

[Article by Levent Sanin: "Measures Planned To 'Calm' banks"; passages enclosed in slantlines printed in boldface]

[Text] Ankara (CUMHURIYET Bureau)--The Finance Ministry and the Central Bank are seeking a way to avert the crisis in the banking sector that is expected to develop in September. To this end the Central Bank is making efforts to lower the interest penalty rate applied to supplemental balances of deposits which are not deposited on time. In addition, an extension of the term of deposit in the Central Bank is planned for supplemental balances of deposits. Efforts being made by the Finance Ministry to forestall a crisis which could arise in the banking sector in September and included in Finance Minister /Adnan Baser Kafaoglu's/ proposed /"interim model"/ are aimed at loosening the banks' cash restrictions. Officials, noting that payments connected with certificates of deposit and bonds reaching maturity in September will place banks under a great burden, said: /"The interest penalty applied to late deposits and the necessity of depositing supplementary balances of deposits in the Central Bank on time place an additional burden on banks."/

Two months earlier, in response to the issuance of a rule concerning the application of a 54-percent interest penalty when supplemental balances of deposit are not made on time, it was determined that banks could not put this requirement into effect because of tight money.

The following principles were espoused in the preparations undertaken by the Finance Ministry and the Central Bank in order to forestall a banking sector crisis:

--/The scale of supplemental deposit balances will be reduced until the threat of a crisis passes./

--The interest penalty applied to supplemental deposit balances not deposited in the Central Bank on time will be lowered.

--/The terms of transferral of the monthly supplemental deposit balances to the Central Bank in the last 15 days will be changed, and the period extended./

## Change in the Bank Law

The /"September operation in the economy"/ which will come to the fore next month envisions certain changes in the bank law as well.

The /"bank salvation operation"/ being conducted by the Finance Ministry and the Central Bank /"requires"/ the adoption of specific changes in the law on money lending matters as a supplement to the bank law. There are two chief points to the change in the bank law:

The first of these concerns the /"unification of banks"/ which the Finance ministry has emphasized since Kafaoglu's appointment to the ministry. On the issue of the /"unification of banks"/ which is to be determined by the Finance Ministry, the legal change envisions giving authority to the Finance Ministry. Therefore, if the law is adopted and put into effect, authority on the issue of /"which banks will be united with which"/ will be given to the Finance Ministry.

The second issue concerning the bank law provides for the banks' general directors still to be approved by the Finance Ministry. An official whom we consulted about this change, which awaits a reaction from banks, said the following:

/"Certainly those who are to decide by whom each bank should be directed are the bank's owners and members. But on the issue of banks, it is especially necessary that decisions be made in connection with the administration. For this reason the Finance Ministry is inclined toward a decision along these lines. However, later on, the section concerning the director general may be changed and perhaps it can include other personnel. This issue, regarding the approval of the director general by the Finance Ministry, the approval of an appointed person, is still being discussed."/

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## CONSTITUTIONAL RELATION OF LIMITED RIGHTS, ECONOMIC CRISIS EYED

Istanbul CUMHURİYET in Turkish 7 Sep 82 p 7

[Text] The economic crisis is in, while individual rights and liberties are out. This is the thought that lies at the foundation of the economic philosophy on which the constitution is based. Actually, the gravity of the thought that is being expressed carries further implications. The threat of restrictions to individual rights and liberties is further increased by the fact that according to a stipulation of the constitution the government itself will define the instances and situations that constitute economic crises.

The Consultative Assembly spent Saturday and all of yesterday in discussions focusing on the "financial provisions" of the draft constitution. It must be quickly stated that the draft constitution imposes the operationalization of a free market economy in a manner that leaves no open doors to governments and therefore political parties. Since any political party must remain within the framework of the constitution regardless of its own political platform, it will now be restricted to implementing its economic policies within a market economy. In fact, this means that the economic programs to be followed by the political parties have already been drafted. As the constitution of every period is the product of a living environment, this proposal which leaves no "operational field" to political parties takes its place in history as an extension of the measures of 24 January 1980.

Yet, the draft constitution does not refrain from going further and establishes a link between economic crisis and emergency situations. According to stipulations that are found in Article 135 and that define emergency situations, "a state of emergency will be declared by the Council of

Ministers in the event of natural disasters and economic crises." There is no need to go into a lengthy discussion of the economic situation that followed the measures of 24 January 1980 and in which the country finds itself today. Investments have dropped from 21 percent to 18 percent, olive production has dropped by 70 percent, sun flower production by 23 percent and tea production by 60 percent. Unemployment has climbed from 15 percent towards 17 percent. How can an environment such as this be described in terms other than the term "economic crisis"? The situation becomes more clear with the addition of the incidents that took place in the brokerage and banking sectors. Every citizen is affected by a crisis of this magnitude. According to the latest data, the average yearly per capita income in Turkey stands at 812 dollars. This is equivalent to 144,000 liras and amounts to an average monthly income of 12,000 liras. If we bear in mind that the minimum monthly wage stands at 10,000 liras, it becomes evident that the per capita income is nearly equal to the minimum wage. This signifies that there has not been a positive development in the "economic picture" since 24 January 1980. In other words, the "economic crisis" is still continuing.

It is on the basis of this belief that the draft constitution gives the President and the Council of Ministers "the authority to declare a state of emergency in times of economic crisis." Moreover, the provisions that characterize a state of emergency involve a curtailment of individual rights and liberties. Articles 16 and 19 may specifically be used "in connection with a state of emergency" to curtail individual rights and liberties. In more open terms, governments will be able to use the pretext of an "economic crisis" to even further curtail individual rights and liberties. Governments will decide "what constitutes an economic crisis" because they are being given the power to define an "economic crisis."

The future opposition party in parliament is being left with its hands tied. Clearly, economic indicators have always served as the most powerful weapons of the opposition. An opposition party will no longer be able to freely express its belief that the economy has taken a turn for the worse because the government would be able to use such a statement for the purpose of going as far as declaring a state of emergency by arguing that an economic crisis exists. Moreover, governments will now be provided with an easy way out. At any time, any government will be able to respond to



democratic protests by using the option of declaring a state of emergency and curtailing individual liberties. In the absence of natural disasters such as earthquakes and floods, the government will be able to use economic crisis as a pretext.

The boundaries of the economic policy that is to be followed have already been drawn in the form of a free market economy. As Turkey has not been able to bring an easy end to the economic crisis through the free market system, it unfortunately seems that the circle of economic crisis and the curtailment of freedom will very frequently come into play in years to come.

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## FIVE BASIC ECONO-INDUSTRIAL CRISES SURVEYED

Istanbul HURRIYET in Turkish 2 Sep 82 p 13

[Text] "As a result of the policy of tight and expensive money, our industry which has become accustomed to inflation and which in a sense has been nourished by inflation has arrived to the point of losing its chances for survival." These words appear at the end of a comprehensive report prepared by the Istanbul Chamber of Industry at the request of Minister of Industry Mehmet Turgut. The report which is dated August 1982 and which bears the title "Problems of Industries in Economic Difficulty and Proposed Solutions" reveals the results of a study covering 80 percent of Turkey's private sector industry from a standpoint of production and employment.

The results are not at all comforting. They indicate that difficulties have reached a critical point in all enterprises and particularly in five fundamental sectors. These may be listed as follows:

- 1) textiles (cotton fabrics),
- 2) the construction supplies industry,
- 3) the durable consumer goods industry.
- 4) the investment goods industry,
- 5) the automotive industry and related industries.

In these sectors, production is dropping and inventories are rapidly increasing. Enterprises are constantly going to the banks to request "fresh credits" while the banks are constantly seeking "governmental support" from the Finance Ministry. According to the study conducted by the Istanbul Chamber of Industry, the crises in these sectors have their sources in two fundamental problems: "Insufficient demand" and "financial issues."

Until two and a half years ago, such complaints and such strong criticism had not been heard from private sector manufacturers in spite of import difficulties, energy shortages and strikes that could not be avoided.

The manager of a foreign bank operating in Turkey explains as follows the reason behind the crisis affecting the enterprises: "Until 1980, foreign payments were the biggest problem confronting the nation's economy. This problem was resolved by increasing exports, adjusting exchange rates on a daily basis and currency devaluations. Nevertheless, the fundamental problem was not resolved and merely changed direction. It assumed the shape of the problem of internal financing."

Nurullah Gezgin who is Chairman of the Steering Council of the Istanbul Chamber of Industry has stated that he fully agrees with this explanation and maintains that the period of galloping inflation during which the firms were able to sell whatever they produced has been left behind. Gezgin said: "In our country, industry evolved at a time when not going into debt was foolish. A big gamble was taken on a seller's market and it was thought that conditions would continue to be what they were. The old system was tolerant to error. Now on the other hand, money is expensive, foreign currency is expensive and there is no demand. As long as adaptation to these new conditions is not obtained, errors will continue to come to the forefront."

Gezgin maintains that in spite of the widespread crisis, it is possible for one of two rival firms working in the same sector to be on the verge of locking its doors, while the other is able to continue its existence through good management, the selection of technology that is appropriate and adaptation to conditions. Nevertheless, the numbers indicate that the crisis goes far beyond "a problem of management."

Figures showing higher inventories point to dropping production, insufficient utilization of production capacity and inadequate sales in critical sectors. These figures indicate that the crisis has widened during the second semester of 1982 in comparison to the first three month period of the year. In the case of textiles for example, a rise in inventory from 7 percent to 16.3 percent reveals that while there has not been a significant drop in production, a large scale drop in sales has taken place.

Textiles: The high cost of financing, the need to work with large inventories and delays in collecting on receivable accounts emerge as the structural problems of the textiles sector. Firms that are unable to find adequate demand for production find themselves in a vicious circle whereby low production levels bring about high production costs and high production costs lead to low production levels. Restrictions and prohibitions placed on our fiber, raw fabric and clothing products by the Common Market bring to a maximum point the difficulties experienced by this troubled sector.

The construction sector: The fact that no revitalization has been observed in this sector as the season passes away has pulled producing firms into a crisis that is more severe than expected. Enterprises producing construction materials have reduced their production during the second quarter of 1982 in comparison to the first quarter of the year. As the result of inadequate demand however, their production did not serve any purpose other than increasing their inventories.

By mid-year, the level of capacity utilization in these sectors fell from 57.2 percent to 52.1 percent and inventories rose from 16 percent to 16.4 percent. All hope within this sector is now being tied to the implementation of the Public Housing Law. In other words, the enterprises will continue to produce for another year if they are able to do so and will again increase the size of their inventories.

Durable consumer goods: Another adverse consequence of the absence of construction has been observed in the case of industries that produce durable consumer goods. Because new housing units are not being built and new households do not come into existence, the refrigerators, washing machines, ovens and television sets that have been produced have been added to inventories. However, the shortage of money is a much more important and urgent problem within this sector than the inadequacy of demand. In its report, the Istanbul Chamber of Industry indicates that "the debt repayments of companies within this sector should be postponed to the extent that they increase their capital." The report also warns that "otherwise, a major collapse within this sector appears to be inevitable. This sector is responsible for an important share of added value and employment. For example, the closing of the Turkish Iron and Forging Works alone would result in a loss of approximately 6.5 billion liras in national income.

The hands of firms in the sector for investment goods such as machinery, engines and tool plants as well as in the automotive industry have been tied by inadequate demand and the high cost of financing. Production in the automotive sector is becoming more and more impossible in view of the rapidly increasing cost of parts that must be imported. While inventories within this sector stood at zero and capacity utilization stood at 58 percent during the first quarter of 1982, by midyear inventories rose to 2.2 percent and capacity utilization fell to 52.1 percent. Automobile prices are increasing automatically every 45 days. As prices approach the 1.5 million lira mark, the number of those who can buy cars at those prices is also rapidly decreasing.

The study conducted by the Istanbul Chamber of Industry reaches the conclusion that "the cost of reducing inflation has been manifested through stagnancy, drops in production and even production halts in industries that do not have the chance to export their products." The Istanbul Chamber of Industry makes the following observation in connection with "proposed solutions" obtained from enterprises: "We are being faced with the political and economic option of revitalizing internal demand by once again increasing purchasing power through an inflationary policy. While such an option is being considered by specific firms, it is not being discussed loudly throughout the sectors."

Nevertheless, it is true that the wait for inflation will not resolve the resource shortage being confronted by the economy. Chairman Gezgin of the Istanbul Chamber of Industry interpreted the results of the study and said the following about the wait for inflation which signifies the total abandonment of the policy of economic stability: "Policies implemented since 12 September 1981 contained errors among others. Now, truths are being sought among errors." Gezgin labeled the errors of the Ozal period as "measures that saw inflation as a problem, did not pay attention to other indicators and brought about a recurrence of the stockbrokers' incident." Gezgin sees the error of the current leadership in the fact that "it is expecting to find a solution by waiting and looking for inflation."

While everyone accepts that inflation does not constitute a solution during this period in which 200 enterprises have become unable to continue work and an equal number of private enterprises have formed a line "to obtain government



assistance," in private talks many firms are not hiding the fact that they are "waiting for assistance and inflation." For the first time, assistance provided to the firms is being openly criticized by the report of the Istanbul Chamber of Industry: "In the case of sectors that find themselves in economic difficulty, the offering of economic support in exchange for government partnership as in the model provided by Guney Industries, is a measure that distorts the economic structure and rationale in its entirety.

Nurullah Gezgin maintained that a return to inflation would be tantamount to "short circuiting the economy" and would constitute "the easy and lazy way out." He said: "While certain firms could benefit from this, the economy would be a loser. One cannot favor a free market economy and then turn around to say that firms should not go bankrupt. This cannot happen." Gezgin concluded: "The belief that the state should provide assistance when a firm is being established, stay away as it makes profit and extend a helping hand as it goes under should by now be abandoned."

However, the extent to which this view is shared by firms in difficulty on the one hand and a new economic leadership preparing to rescue the banks on the other, still remains unclear. These are the facts behind the debate on whether or not a crisis will erupt in September.

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## SPO STUDY RELEASED ON PUBLIC HOUSING

Istanbul TERCUMAN in Turkish 6 Sep 82 pp 1, 12

[Text] The Public Housing Law has been criticized in a report prepared by the State Planning Organization and presented to the Prime Ministry. It is claimed in the report that "the system which is being established by the law is one that favors state control and that will burden the state with great expropriation related costs and lawsuits."

Noting that government contracts are to be used for the construction of public housing, the report indicates that "the construction of housing units through government contracts has already been tried in Turkey. In comparison to other units, these units have been lower in quality and have cost twice as much. The units are completed only after long construction delays."

The report maintained that "slow moving and expensive mechanisms as well as personnel shortages are widespread within the government sector. The stipulations of the law will make these problems even more insoluble." According to the report, the stipulations of the law impose limits on property ownership and mandate the expropriation by the state of lands in urban areas.

In this situation, the state is burdened with many costs. The report expresses the belief that the state will have to conduct large scaled expropriations and spend billions of liras each year on the new personnel and organization that this will require. In summary, the following viewpoints are expressed in the report by the State Planning Organization:

"Thousands of unfinished state housing units are currently available to the Ministry of Housing and Public Works. It has been a rather long time since the construction of these

units began. The state is not directly engaged in the construction of these units which are being built by contractors. The state is currently unable to provide adequate funding, organization or personnel in connection with these units. If we consider that 350,000 new housing units will be needed each year in Turkey and assume that only 50,000 of these will be built by the state, we can readily perceive the burden that even this small number of units will impose upon the ministry."

"It must be recognized that the state is faced with the creation of a new organization, the hiring of new personnel and large side expenditures. Unfortunately, it has not been possible to provide the state with a managerial outlook. Slow moving and expensive mechanisms as well as personnel shortages are widespread within the government sector. Such problems will be rendered even more insoluble by a housing law of this kind."

"The law imposes limits on property ownership and does not establish the link between appropriations, sales, mortgages and ownership. Naturally, this necessitates the expropriation of lands in urban areas and the assumption of ownership by the state. The state is being burdened with many costs. The state will have to conduct large scale expropriations and spend 70 percent of the fund on the construction of housing. In addition, the state will enter a new period during which billions of liras will have to be spent each year on new personnel and organization."

In the report by the State Planning Organization, the principles recommended as objectives for the Public Housing Law are expressed as follows:

"The construction of housing units by the state should not be the objective of the law proposal. In view of the state's lack of financial strength and organizational structure, it would be a big mistake to place it under such a large burden. Turkey is a developing nation and a nation that has carried the scars of an economic crisis over the last few years. Turkey suffers from a significant housing shortage. In view of all of these factors, it is true that Turkey has needed special measures for a long time. If the state were to devote its own resources to this matter, find new resources or print money, the logic that underlies the matter would not be served. What the state can do is to set aside a pre-

determined portion of its revenues from the budget and use this amount in the best possible manner as an instrument of encouragement and guidance. Turkish society is very sensitive to the matter of home ownership and has a high tendency to save towards this end. A large segment of society which is not planning to invest its money commercially will be able to mobilize a large volume of savings through its efforts towards the goal of home ownership."

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## ESB HEAD OFFERS PROPOSALS TO RELIEVE EXCHANGE RATE DEBT

Istanbul CUMHURIYET in Turkish 2 Sep 82 p 6

[Text] A study has revealed that the debts incurred by companies who use foreign exchange credits for investments and the purchase of machinery have risen to the astronomic level of 231 billion liras. Following this, Yavuz Zeytinoglu who is Chairman of the Industrial Chamber which conducted the study in question made a statement to CUMHURIYET in which he said: "Foreign exchange debts have by now become an undescribably frightful problem for industry. Placing a freeze on these debts would not be enough. Industry's willingness to make investments must be urgently revitalized."

The question of how to revitalize investment is being asked by almost every sector in Turkey. The debts of companies who have completed their investments and who contribute to the nation's production increase with every readjustment that is brought to the parity of the Turkish Lira vis-a-vis foreign currencies. This constitutes a very significant impediment to the process of revitalizing investment. The financial assets of enterprises which are mobilizing for the purpose of repaying what they owe, are being siphoned and exhausted by such debts and interest payments. Yavuz Zeytinoglu who is the administrator of a Chamber of Industry which is closely affected by exchange rate debts consisting of foreign currency debts said: "The freezing of debts is no longer sufficient as a single measure. What is also required is a mechanism which will prevent erosion in the face of inflation." He continued: "The solution which we brought to the problem of varying exchange rates was one that was valid at the time of its introduction. How can a manager who cannot repay this debt and who must go as far as offering his establishment for sale be blamed? There are many such establishments. For this reason, a new



overall approach to the plight of establishments which are struggling to produce in spite of everything is currently necessary.

Zeytinoglu who is the President of the Eskisehir Chamber of Industry offered the following proposals to serve as highlights of a package of measures:

- 1) The stimulation of interest rates is an extremely significant event. Following the stockbroker's incident, any instruments that could once again bring about the channelization of small savings towards industry should be stimulated.
- 2) The fields towards which Turkey can successfully undertake foreign expansion are obvious. It is inescapable that these fields be defined and placed under the guidance and oversight of the state. Particularly in the case of construction services which represent a historic opportunity for Turkey in the wake of worker's remittances, such oversight is a necessity.
- 3) As of this day, a freeze should be placed on parity changes pertaining to foreign currencies. A well defined state guarantee should be instituted to address subsequent parity changes.
- 4) Companies should be given the opportunity to conduct re-evaluations of their worth so that an end can be brought to the depletion of industrial sector resources by inflation.

Zeytinoglu drew attention to the fact that the enterprises which have gone into debt by acquiring foreign exchange credits are also the important investing enterprises of Turkey. He said: "The task of keeping such a large production capacity on its feet carries vital importance."

Zeytinoglu who described as "positive but insufficient" the 30 billion liras in credit obtained by the Turkish Industrial Development Bank from the Central Bank of Turkey to cover changes in the exchange rate, continued as follows: "The problem has no aspects that can be resolved through small-scale credit assistance. Consequently, it is very important to the future security of industry that the Finance Ministry and the Central Bank take stock of their own resources in devising a new consolidation and repayment plan. Negligence in connection with this matter will result in the nationwide smothering of the spirit of investment."

## INCREASED COMMERCE NOTED IN KEY TURKISH PORTS

Istanbul DUNYA in Turkish 10 Sep 82 p 10

[Report by Yucel Gurtekin]

[Text] In the first 3 months of this year, there was an increase, compared to the corresponding period of last year, in the amount of imports flowing through the ports of Istanbul, Izmir and those of Mediterranean cities, which play a very important role in the exchange of goods between Turkey and other countries. Figures show, however, that the rise observed in the amount of loaded and unloaded goods at these ports is paralleled by a decline in the share of Turkish vessels in the number of ships carrying the imported or exported goods.

Figures gathered from the weekly bulletins published by the Society of Ship Equippers and Dealers show that a total of 4,542,450 metric tons of goods were exported from the ports of Istanbul, Izmir and the Mediterranean in the first 3 months of 1982. This figure stood at 3,781,180 metric tons at the end of the corresponding period last year. The largest increase between the two said periods was recorded at the port of Istanbul. There was an increase of 132 percent in the amount of goods loaded at the port of Istanbul, which is trailed by the port of Izmir with 75 percent and the ports of the Mediterranean with 15 percent.

The leading goods exported from these ports were: Ready-made clothing, tobacco, building cement, various dry and fresh foodstuffs, motor vehicles, hazelnuts, chemicals, glass products and electrical goods. Exotic products loaded onto the ships included: Red pepper, wall ornaments, apricot seeds, sugar sacks, birdseed, goat hair and soapwort.

There was also an increase--even though small--in the amount of goods imported through the ports of Istanbul, Izmir and the Mediterranean in the first 3 months of 1982 compared to the corresponding period last year.

The amount of goods imported through these ports rose from 1,308,130 metric tons in the first 3 months of 1981 to 1,645,181 metric tons in the corresponding period of 1982.

While the amount of goods imported through the ports of Istanbul and Izmir in the first 3 months of 1982 was the same as that observed in the corresponding period of last year, there was an increase of 37 percent in the amount of goods imported

through the Mediterranean ports during the interval between the two periods considered. Leading goods imported through these ports were: Machinery and parts, iron and steel products, paper and automobile parts.

Another interesting aspect of the comparison between the first quarter of 1981 that of 1982 is that the number of foreign ships used in exports and imports is steadily increasing. For example, 62 Turkish and 16 Greek ships docked at the ports of Istanbul and Haydarpasa for loading and unloading in the first 3 months of 1981, while the corresponding figures for the same period in 1982 were 50 Turkish ships and 22 Greek ships. In addition to Greek ships, vessels flying Panamanian, U.S., Soviet and Liberian flags are also playing an increasingly important role in exports and imports through Turkish ports. Stating that the total tonnage of the Turkish merchant fleet has been significantly increased during the past year as a result of purchases of new vessels, officials reiterated the need for replacing foreign ships used in exports and imports with Turkish vessels and said that, this way, Turkish ships will be rescued from sailing "empty" and that, more importantly, billions of Turkish liras will be saved every year in freight fees.

Exports and Imports Through the Ports of Istanbul and Izmir in the First 3 Months of 1981 and 1982 (in metric tons):

<u>Exports</u>				
<u>Month</u>	<u>Istanbul</u>		<u>Izmir</u>	
	<u>1981</u>	<u>1982</u>	<u>1981</u>	<u>1982</u>
January	3,570	45,132	66,350	108,225
February	39,793	47,905	48,658	11,765
March	16,174	45,480	64,598	94,724
Total	59,537	138,517	179,606	314,714

<u>Imports</u>				
<u>Month</u>	<u>Istanbul</u>		<u>Izmir</u>	
	<u>1981</u>	<u>1982</u>	<u>1981</u>	<u>1982</u>
January	80,532	68,590	52,753	61,167
February	63,258	52,409	46,769	35,080
March	160,636	186,918	23,202	30,121
Total	304,426	307,917	122,724	126,368

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## REPORT SUBMITTED ON DEBT RECOVERY FROM LIBYA

Istanbul DUNYA in Turkish 13 Sep 82 p 1

[Report by Turan Karasu]

[Text] The Kozanoglu-Cavusoglu Group has submitted to Minister of Finance Adnan Baser Kafaoglu a report on the recovery of debts owed by Libya to Turkish companies.

The report proposes that all Turkish contracting firms working in Libya halt their operations and that the Turkish government promote unity among the said companies on this issue.

The report, which was submitted to the Minister of Finance around the end of August, points to the sizeable investments made by and the large debt owed by Libya to the Kozanoglu-Cavusoglu Group and says that, if all the investments of and the debts owed to all the Turkish companies working in Libya--90 in all--are added up, significantly large numbers will emerge.

Noting that no concrete results have emerged from the proposals contained in a report submitted to Prime Minister Bulend Ulusu by Libas, A.S., Executive Council Chairman Ali Riza Carmikli--in the name of Turkish contractors in Libya--on 14 May 1982, the report says:

"In the light of these experiences, we believe that the approach suggested by our proposals will facilitate the most rational and the fastest solution to this problem.

"1. Libyan oil may be bought by the Turkish government or the Turkish contracting firms themselves as partial or full compensation for the debts owed by Libya to the Turkish firms.

"2. In the event all or part of this oil purchase exceeds Turkey's needs as a result of existing oil contracts between the Turkish government or the Turkish Petroleum Corporation and other countries, the excess oil can be sold--even at a loss--in spot markets overseas.

"3. Any losses resulting from such resales can be passed on to the contracting firms."

The report says that the most important reason behind the need for governmental intervention is that the Libyan government wants to sell its oil for cash and not in compensation for the debts it owes to the Turkish firms. The report adds:

"As is known, the Kozanoglu-Cavusoglu Group as well as the consortium formed by the representatives of the Turkish contracting sector have, in the past, attempted to resell the Libyan oil in spot markets overseas and have accepted a loss of around 10 percent.

"The payment problems the Turkish contracting firms in Libya are encountering and the financial difficulties they are suffering as a result are of a nature which may make the continued operation of these firms in Libya impossible. If the Libyan government continues not to pay its debts to the Turkish contracting firms or refuses to sell oil in compensation for these debts--which we do not think will happen--then doubts must arise about the good will of the Libyan government on this issue."

#### Halt Operations

The report demands a halt to all operations by all the Turkish firms working in Libya. The report says:

"The activities of the Turkish contracting firms in Libya are as important for the Libyan economy as that of Turkey--perhaps, they are even more important for the Libyan economy. Consequently, the Turkish contracting firms in Libya must, with the support of our government, take a united posture. If the Turkish contracting sector halts all its operations in Libya and withdraws all its machinery and equipment from that country, the resulting situation will have serious consequences for Libya and its citizens. The Mobil Corporation, for instance, was able to implement such an approach, and, as a result of its financial might, it was able to continue its operations in Libya under conditions accepted by the government of that country.

"The Turkish contracting firms in Libya can take similar action only if they act unanimously and if they are supported by the Turkish government."

The report states that, although the onset of unfriendly relations with the brotherly government of Libya is not desired, in the event the set of three proposals mentioned above is not accepted, it would be advisable to take the course of halting all contracting operations in Libya.

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## OBSERVER SEES PACE OF NORDIC COOPERATION SLOWING

Helsinki UUSI SUOMI in Finnish 22 Aug 82 pp 20-21

[Commentary by Ralf Friberg: "Understanding the Advantages of Cooperation Is Most Difficult Thing for Private Enterprise; Noble Setting of Nordic Cooperation Lacks New Form"]

[Text] Cooperation among the Nordic countries is considered elsewhere in the world as an exemplary way to manage common interests. But since agreement was reached concerning a common labor market, universal passport recognition and universal social security coverage in the Nordic countries, nothing new of any magnitude has taken place.

Cooperation among the Nordic countries is currently at a turning point, according to Ralf Friberg, author of this article, who recently completed a tour as information chief on the Nordic cooperation effort in the secretariat of the Council of Ministers of the Nordic Council and who will transfer to the Finnish Embassy in Stockholm in autumn 1982 as press secretary.

"The cooperative effort must enjoy extensive popular support, otherwise the entire structure may collapse," warns Friberg.

The holy trinity of Nordic cooperation has been preserved. It is still possible to hail the common labor market, universal passport recognition and universal social security coverage in the Nordic countries. These notable achievements have influenced the nature of the intercourse among the Nordic countries over a period of a quarter century. Whenever it becomes necessary to convince doubts of the strength of the cooperation, this trinity is quoted as an example of it.

## Marking Time?

It is as if nothing of equal importance has happened since the 1950's. Hardly any other action can be found in the interaction of the Nordic countries that has in equal measure promoted the freedoms of the citizens than the enactment of this three-part measure.

The effectiveness of the reforms that guarantee safe and unrestricted movement has been preserved. The social security provision was recently revised. It is now current with the times and also takes into account the security of

tourists and of short-term workers such as students in neighboring Nordic countries. A revision of the Nordic labor market agreement was accomplished through Finnish effort. At the conclusion of that effort, a fifth Nordic country, Iceland, announced that it wishes to participate in the agreement, with certain reservations. That country is looking for additional labor, primarily from Denmark.

#### New Challenges

The developments that will take place by the turn of the century will, however, pose new challenges to the Nordic countries.

Economic and technological developments are causing a division in the societies of all of the Nordic countries. Cures are being sought primarily on the national level for the problems of unemployment, investments and structural reforms. Although the politicians in their holiday speeches extol the value of international cooperation as a decisive factor in resolving certain problems, it hardly ever achieves that.

The value of the cooperation among the Nordic countries as a tool has its limitations. It can be used, for instance, to eliminate certain factors that serve to restrict economic activity. These factors may be associated with the movement of capital, the locating of enterprise sites and tax matters. These factors are in fact currently under study, but the outcome must await the results of the study. Interesting to note is the way in which the proposition of the industrial alliances of the Nordic countries for the creation of a common Nordic stock market receive new momentum in connection with the successful stock release by the Kone corporation in Sweden.

The idea that the Nordic countries can form a domestic market area has been promoted in slogans. It is a fact, of course, that an area with a population of 20 million in which to grow provides an enterprise support of a different class when it embarks into the world markets than would be offered by a population of less than 5 million. In practice, however, the boundaries of the Nordic countries are not determined by the bureaucrats alone.

Embarrassing examples have been cited of how enterprises in the Nordic countries cannot find each other in subcontracting operations, in product development and in common export effort. The boundary is a psychological factor.

#### Funds Not To Be Used in the Cooperative Effort

In recent years, Nordic summit meetings, which have been of an undemanding nature, have dealt mainly with the possibilities for promoting economic and industrial interaction. The interest of the prime ministers has been focused on the dissemination of information and the resolution of problems arising in the cooperative effort. For instance, the prime ministers decided at their meeting in February 1982 in Helsinki to increase the allotment to the Nordic industrial fund by 10 million Swedish kroner, to a total of 30 million kroner. This money will be used, for instance, for product development in the electronics field.

The prime ministers also gave their blessings to promotion of the so-called plan for exporting projects from the Nordic countries. Six million Norwegian kroner were appropriated for this purpose in the project export fund for a trial period of 2 years and loans were granted through FIP [Pohjoismaiden Investointipankki—Investment Bank of the Nordic Countries] amounting to more than 2 billion kroner under the governmental guarantee system.

These examples serve to show that outright funds, fresh practical resources, are currently being expended quite reservedly in the multilateral cooperation, although the need is considerable and hundreds of millions are being put into bilateral cooperation.

One of the successful undertakings of recent years is the PIP, with headquarters in Helsinki. During nearly 6 years of its operations, that bank has loaned out nearly 60 percent of the capital it controls and its investments have yielded a return of better than 10 percent annually in real terms.

Should the PIP Be Allowed To Grow?

The PIP currently faces a momentous decision. The amount of its operating capital could be doubled. If the sole criterion for that were to be the success of the bank, then the answer would be a foregone conclusion.

The PIP enjoys supreme trust internationally as to loan worthiness. As to banking policy, its operations are sound. If the amount of funds to which each country participating in the bank commits itself in a particular venture were to be used as a yardstick, the extent of involvement by Finland, as measured in markkas, would be quite minimal. It could in no way be of a magnitude that would present any difficulties to state finances.

Those are the crucial factors, namely, the bank's undeniable success and the small size of the cash contribution that it requires, that make continued consideration of the PIP board of trustees' proposal such an interesting proposition. Even the outer limit has already been determined, which is at the start of 1984. The PIP's apportionment of loans by countries leaves no room for criticism. The PIP's project for developing a domestic loan area also takes Denmark's needs into consideration.

Consideration of this matter by the Nordic countries may take place purely as a political process.

When the PIP was being established, the Rightist Party in Norway took a critical position regarding it. The operational restriction that was instituted as a result of that criticism has subsequently been eliminated from the bank's operating directives.

A traditional aversion to overly great governmental involvement in the natural processes of the economy prevails in Denmark. For instance, enterprises that are threatened by difficulties must by themselves resolve their difficulties, nor are there any state-owned firms as in Finland, except in petroleum and natural gas.

## The Future of PIP To Be Resolved in 1983

What will the attitude be in the five Nordic countries regarding continuation of the long-term operations of PIP?

The matter must be considered in each of the Nordic countries during 1983. The degree to which the desire to cooperate prevails will then become apparent, as well as the extent to which sacrifice will be made to continue development of the common venture.

The Council of Ministers of the Nordic countries (the cooperating ministers) received the bank's report concerning that matter during early summer 1982, but shied away from consideration or even discussion of it prior to reports at the national level.

The prospect that objections to the operations of the PIP from some member country will be interpreted in other countries as a serious counterblow to cooperation among the Nordic countries is quite certain.

The cooperative work on the export project is still in an initial stage, and therefore no knowledge is yet available concerning its success. However, some friction was experienced during the initial stage, friction that, at least to some extent, arose because of the change of administration in Norway.

The new administration requested and was granted additional time for deliberation, which resulted in small revisions in the draft version already approved. These changes, although desirable in that they resulted in greater clarification, nonetheless, did arouse critical discussion owing to the delayed presentation.

Quite obviously it was both the opposition pressure in Norway and the interest aroused by the matter in the other Nordic countries that prepared the groundwork on which to proceed.

Mapping of the results of information technology is currently under way. In the best case, one could envisage, for instance, that the reports will give an indication of the desirability of a joint legislative process in the Nordic countries.

## Cooperative Gulf Deepest in Economic Sphere

Objectives equally as demanding as those placed on the decision-makers and on the execution of those decisions can hardly be placed on Nordic economic and technological collaboration.

The laws of a market economy guide the cash flow and the production of goods in accordance with their own basic principles. The authorities cannot to any great extent determine that private enterprises must cooperate. The Gulf between objectives and actual possibilities, particularly in the economic sphere, is thus unusually great and frightening. The political decision-makers add to the distrust of the efficacy of Nordic cooperation by excessive

building of rosey dreams about it that fade away on the next working day following the conference.

The industrial alliances of the Nordic countries have commissioned a study to determine how inviting the Nordic countries are as a place for investments and as cooperative partners in the eyes of each other.

The reaction from the entrepreneur sphere has been somewhat lukewarm. Economic growth in the Nordic countries is modest, the tax level is high, the bureaucracy is complex and labor legislation is rigid. These are factors that do not invite investments as long as there are places elsewhere in the world where conditions are more free.

#### Declining Trade

The rate of growth of Nordic foreign trade, which previously had been growing rapidly, has declined in recent years. Should this decline become permanent, it would be a matter of concern. In this connection, it must be noted that the free trade among the Nordic countries is not based on agreements among those countries but on West European trading systems such as EFTA and the bilateral agreements among four Nordic countries of the EEC.

The Nordic countries, therefore, cannot properly grant any advantages designed to promote mutual trade among themselves that they would not grant to their partners in other agreements.

The economies of the Nordic countries are open economies that staunchly support free trade. The crises in world economics, the imbalances in the foreign exchange system and the interest and financial policies of the leading industrial countries profoundly affect these small countries. The structure of their trade also reflects the increasingly international nature of these countries and their growing and complex dependence on the outside world.

The rest of the world has become accustomed to seeing the Nordic countries frequently together at international forums. There has been talk in the United Nations about a "Nordic mafia." The Nordic countries frequently, but not exclusively, promote common concerns in specialized UN elements and general conferences. The organized cooperation of the Nordic countries does not reflect a unified international policy. Although the authorities in the various sectors, and sometimes even ministers, may participate in preparatory discussions, they must take place outside of the service organization provided by the Nordic Council of Ministers.

#### An Inoperative Organization

The cooperative organization of the Nordic countries is inwardly structured. At this time it could not sensibly serve even as a service organization for coordinating Nordic country presentations internationally on issues and in areas not associated with foreign affairs and security policy. The secretary



general of the Council of Ministers could not be a mini-Waldheim. The secretariat of the Council of Ministers lacks the power, operational directives and long-range program to make international presentations a reality.

The following paradox therefore presents itself:

While the openness and the increasing international position of the Nordic countries would seem to presume increasing common international positions, no organizational or cooperative conditions for that appear to exist. The time may be imminent when the cooperating countries may find themselves protecting their interests under direction of other organizations rather than as members of the Nordic Council and Council of Ministers.

The cooperation among the Nordic countries has been justified traditionally by ideological factors. The close historical, cultural and economic association of the Nordic countries also presupposed cooperation. The reward for cooperation was the value itself of the cooperation. But the values have changed in recent years.

The present justification for the cooperation is the benefit that is derived from it. The Nordic countries, by directing their joint resources toward the resolution of a problem in some narrow sector, can gain both time and money. Without cooperation, control of the problem might never be gained.

#### Economic Planning or Additional Funding

That kind of thinking arises directly from the difficulties in the state finances of each of the Nordic countries. It must be possible to point out the gain from a particular activity to a state ministry of finance.

This new type of thinking can, however, contain certain hidden dangers. It may not be quite proper to proceed as if an internal mechanism were being built into the cooperative system to reduce the cooperative effort into mere dawdling. Nor is it proper that considerations of materialistic gain should exert pressure to force the activity in the direction of industry and economic gain. Many of the most admirable results of Nordic cooperation have been in social progress. The effort has been, in one way or another, in the direction of freeing people from unemployment, job insecurity or other difficulties. The resource predicament is, however, a fact. For instance, although Finland uses less than one mill of its national budget for Nordic cooperation, no additional funds can be found as in previous times.

The growth of the Oslo Council of Ministers secretariat and of the Copenhagen cultural secretariat has almost reached a standstill, and the prime ministers have specified in their directives that the introduction of any new major project must be accompanied by a report explaining in advance the method of funding for its implementation.

This situation has given rise to the question of whether Nordic cooperation is a product merely of good economic times.

At this time, attempts are being made to improve and mend the system.

#### The Provinces To Be Included?

By the end of August 1982 it should have become clear how the independent delegations of the Nordic autonomous provinces of the Faeroe Islands, Greenland and the Aaland Islands will be integrated into the meetings of the Nordic Council. For instance, because of the increased number of members in the council, a sixth permanent committee could be established for parliamentary work. A committee sought by the Finns might be a labor supply committee.

The growing importance of the meetings of the prime ministers can be noted in the sphere of administrative collaboration. Small and inconsequential problems that the Nordic ministers have been unable to resolve are relegated for disposition by the prime ministers on their own authority.

At present, that member of the administration who assumes responsibility for the problems of Nordic cooperation also receives a measure of fool's errands. The limits of the authority of the ministers have not been defined. The field is unlimited, whereas the sources of power are scant. Evidently, the only proper solution would be to transfer in each of the countries the problems of Nordic cooperation to the direct authority of each prime minister's chancellery.

#### Council Becoming Increasingly Political in Nature

The parliamentary meeting of the Nordic countries, the council itself, is also undergoing a change in form. The council is becoming increasingly political in nature. All loan activity germinates initially in Helsinki through both national and political pressures. Efforts are being made to improve the work efficiency of the council, with the result that the size of the work backlog has already diminished.

The most obvious problem during the transition to the 1980's is, however, of a spiritual nature. The process of internationalization progresses also in the cultural field, in travel, in employment and in mass communications. The ideology of Nordic cooperation has been entwined in the minds of the citizenry throughout the 1900's. In Denmark, for instance, despite the country's membership in the EEC, there prevails an alert and even demanding sentiment regarding Nordic matters. The question regarding the destiny of the cooperation arises from a need to firmly fix the ideology of cooperation in the minds of the public to carry into the future. The politicians need the support of popular opinion for the success of their endeavors, otherwise the entire structure may collapse. That, at least, would not be in Finland's interest and hardly in the interest of the areas adjoining the Nordic countries.

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CSO: 3107/176

## INTERVIEW WITH GLAVKOS KLIRIDIS

Nicosia O AGON in Greek 3, 7 Sep 82

/3 Sep 82 pp 3/

/Interview with Mr Glavkos Kliridis, president of DISY /Democratic Rally/, by Andreas Kaouris; date and place not specified/

/Text/ Question: What is the position of your party vis-a-vis the AKEL-DIKO /Democratic Party/ alliance?

/Answer/ That alliance is an unnatural political marriage. Each side has "fortune hunting" as its goal. The AKEL leadership promised Mr Kyprianou the votes of his party as a dowry. In exchange, Mr Kyprianou accepted to mortgage himself, his government and his party to AKEL's leadership.

At any rate, the alliance has a very different form from the "Popular Front" of 1976. This was stressed by Mr Papaioannou himself at the last AKEL congress. AKEL's leadership considers the alliance as a form of cooperation greater than any other previous forms that AKEL's leadership had undertaken. This means, and it must be fully understood by all true democrats, that with the alliance, AKEL's leadership has greatly promoted the attainment of its goal that is none other than the imposition of a Stalinist form of totalitarian regime.

Not unresponsible for the above development are those who without much forethought or without deep consideration participated in the 1976 and 1977 Popular Fronts as well as the local Popular Fronts that were set up at the time of the 1980 communal elections. Because all of these pre-electoral forms of cooperation resulted in habituating many non-leftists into cooperating with antidemocratic forces of Stalinist totalitarianism.

Nevertheless, it is a favorable development that now, besides us, all the other parties --except, of course, AKEL and DIKO-- see the destructive nature of the alliance.

## Dilemma

Question: How is the alliance being confronted?

Answer: With the method that is dictated by complete attachment to and respect for true democracy. In other words, by recourse to the Cypriot people. The presidential elections will take place in a few months. From what is known up to now, four candidates are running for the office. It is up to the people to choose.

Personally, I am fully confident that the candidate of the alliance will not be elected the first Sunday of the elections. And from the moment when he will not succeed in being elected that first Sunday, the possibilities of his not being elected at all are huge. Because automatically not voting for him the following Sunday will be those who unfortunately still like to cast votes not with principle being the criterion but for the man who would have the best chance of being elected.

The results of the first Sunday's elections will, at any rate, create a dilemma among the followers of the two or more unsuccessful candidates. It will be their basic responsibility as well as for the unsuccessful candidates to find the manner for solving this dilemma.

Certain people say, and I want to emphasize that I do not doubt their sincerity, that the most effective way to confront the alliance is through a third above-party man.

Specifically, they maintain that, in view of the critical phase through which the national problem is going and the fact that the alliance and Mr Kyprianou are both real natural disasters for the country, the merger of all forces, except for the alliance, is necessary to successfully confront Mr Kyprianou, the AKEL-DIKO joint candidate.

I agree with the view that the alliance and Mr Kyprianou are real natural disasters for the country and that all the forces, except for the alliance, together can comfortably confront the alliance. It is for that reason that DISY has repeatedly called upon the other parties to cooperate.

Those supporting the theory of a third man maintain that this cooperation must be attained with the support of a third personality outside of party structures. DISY disagrees with this view for the following reasons:

1. I believe that the search for an above-party man is an unorthodox way to confront the critical situation of a people or country because that is what the small parties are demanding.

2. The assertion that DISY, even with the support of small parties, does not have the capability to take away votes from the alliance, is not only unfounded and erroneous, but brings to mind similar claims that had been put forward by the small parties prior to the 1981 elections, when they proclaimed that they would take votes away from DIKO, while our party would remain unchanged. As everybody knows, just the opposite happened in 1981. DISY took quite a few votes away from DIKO, increasing the number of its votes by about 30,000.

3. The broad popular masses that support DISY do not agree to my withdrawing my candidacy. That means that if I were to withdraw, Mr Kyprianou would definitely be elected because of reaction by our followers, while DISY itself will be in danger of breakup, at which time AKEL's leadership will sweep all and everything.

Therefore, let all understand: The DISY candidate has many more chances of being elected than any third man. And even if the electoral battle is lost, there will still be a strengthened DISY that will once again be a powerful and possibly the only bulwark against the destructive plans of the alliance.

#### His Candidacy

Question: That is, there is no possibility of your withdrawing your candidacy?

Answer: No. There is no such possibility. Moreover, I do not have such a right. Because my candidacy is not my personal issue but an issue that concerns DISY. The DISY decision that I seek the presidency was unanimously taken after detailed study of all the facts by the various party bodies, namely the political office, the political committee and central council of the party. As I have already let it be understood, I consider that decision as the only correct one that DISY could have taken.

Certain circles outside DISY are spreading the rumor that Kliridis will at the end withdraw his candidacy. To avoid any future misunderstanding, I emphatically stress that all those who are planning their tactics for the forthcoming presidential elections with the expectation that I would withdraw are highly mistaken. For the very simple reason that I do not intend to withdraw. I am not forcing anyone to support me. What I am saying is that my candidacy is a genuine political fact. A fact which inevitably must be taken into consideration as one of the given facts that political logic dictates be taken into consideration, given the fact that a line or tactic would be drawn up by parties or political factors which do not themselves seek election.

#### Relations With Athens

Question: What are your views on relations between Athens and Nicosia and how can they be reestablished?



Answer: Relations between Athens and Nicosia must be close and harmonious. Sincere and complete cooperation must always exist between the two governments. This was and will remain the steadfast policy of DISY. This is what the national interest dictates and that is what must be the main dogma that must govern relations between Athens and Nicosia. Greece, as even the alliance admits, is the main bulwark of our struggle. Greece, we add, is our only natural, trusted and impartial ally, on which we today base our hopes for natural and national survival and for the salvation of our specific fatherland. Those who do not understand this reality and disturb or undermine relations between Athens and Nicosia are creating terrible national dangers for Cyprus. And if their policy on the Cyprus issue gives a green light to a third Attila attack at a time when, as a result of their actions, Cyprus will become isolated from Greece, they will bear tremendous responsibility in case of a new national disaster. The tragedy of the Palestinians and its result must cause us to ponder seriously.

The governments of Cyprus and Greece must jointly make decisions and act within the context of their decisions which must be products of joint study and thought. That must be the salutary dogma that must govern relations between Athens and Nicosia. This dogma does not downgrade our state entity nor does it endanger the Cypriot Government on an international level nor does it unfavorably influence the course of the Cyprus issue. Since what is important is the result, it may be said that the result of the implementation of this dogma will be the strengthening of our state entity, an increase in the authority of the Cypriot Government and the placing of the Cyprus issue on the proper course.

Besides, conventions must never negatively influence the substance --unless the alliance wants excuses to definitely cut off Cyprus from Greece and does not have the courage or is not to its interest at the present stage to publicly proclaim it.

As to how relations between Athens and Nicosia can be reestablished, the formula is known and it is not a magical one. Simply put, the leaders of the alliance, helped by the KKE (Int.) and encouraged by a well-known decision-making center, does not want to implement it. DISY, as well as other parties, have shown the alliance leaders the only way to reestablish relations between Athens and Nicosia. This way is: Breakup of the alliance, abandonment of the minimum program and return to the road of working together on the basis of what has been agreed upon and all that will be jointly agreed upon between Greece and Cyprus.

#### The Famagusta Election

Question: How do you evaluate the results of the supplementary elections in Famagusta?

Answer: The results of the supplementary elections were quite encouraging for DISY and at the same time rather disquieting for the alliance leadership.

Any sincere judge can come to the same conclusion, if he were to make a prior study and correctly analyze the various data that influenced the election, as well as the actual election results by electoral center.

The data that in my opinion must be taken into consideration are the following:

1. The party peculiarity prevailing in Famagusta Eparchy. This peculiarity consists in that this eparchy there is an all-powerful AKEL that obtained somewhat over 39 percent of the votes in the 1981 elections and an especially weak DIKO that obtained about 14.8 percent of the votes in the same 1981 elections.

If, therefore, it is assumed that the greater part of the political differentiation that has taken place has come from the outflow of DIKO voters, it is apparent that Famagusta Eparchy was not the proper one to show this differentiation. Because DIKO had already previously become contracted in this eparchy since 1981, to such an extent, in fact, that the margins for its further contraction are limited.

2. It is known that the late Kostas Khatzikakou had a lot of personal strength. That means that many who in 1981 voted for DISY did so because of Kostas Khatzikakou. It can thus be said that the party votes of our party were, in reality, fewer than the 21,567 we got in the 1981 elections.

3. The overall government apparatus, that the alliance unhesitatingly uses, was concentrated on only one eparchy. I have no doubt that the government apparatus will also be used in the same way for the presidential elections. But then its effectiveness will be reduced because its attention will not be centered on only one eparchy but will be spread out over all of Cyprus, and also because, in any case, the presidential elections will be considered by all voters as much more important for the future of Cyprus than were the supplementary elections in Famagusta.

4. While the registered voters for the 22 August 1982 supplementary elections were greater in number than in 1981, nevertheless and evidently because of the summer vacations, the number of voters who cast votes was quite smaller than the 1981 number. If, therefore, the strength of DISY remained stable, our party logically should have received in the overall number of votes fewer votes than it had received in 1981. However, DISY obtained more votes.

Having in mind all of the above factors, I repeat that the results of the Famagusta elections are encouraging because they confirm the upward trend of DISY.

/7 Sep 82 pp 1, 3/

/Text/ In answer to a question as to how he views the postponement of the Cypriot Government's appeal to the U.N., the DISY president said the following:

"Given the fact that important issues that occupy the U.N. General Assembly are discussed between October and January and that discussions held later lose their international timeliness and present weakness, a postponement of appeal would be justified in only the three following instances:

- "1. If there were differences between the Cypriot and Greek Governments.
- "2. If the proper preparatory work had not been done on an international level for the understanding and adoption of the positions that we would bring forth at the U.N.
- "3. If unanimity existed between the two governments and the necessary international preparatory work had been done, but international reaction was not encouraging.

"However, a postponement of the appeal because it could constitute a questionable pre-election issue is not justified because it could have been avoided by the convening of a meeting under the chairmanship of the prime minister of Greece at which the Cypriot Government and Cypriot parties would participate."

#### Answer to Charges

In a subsequent question that he comment on charges that DISY is an "extreme Right" party, Mr Kliridis answered as follows:

"Indeed, some of our political opponents, in the vanguard of which is the AKEL leadership, like to call us 'extreme Rightists.' This allegation is a reversal and an adulteration of political concepts and criteria.

"Never have they put forth even one argument that would be based on economic and social positions and opinions. They limit themselves to making slogans. And it seems that they are basing their slogans on a completely erroneous basis. Essentially, they characterize as "extreme Rightist" any citizen who has expressed or expresses feeling of love toward Greece.

"The people in DISY have expressed and do express feelings of love for Greece. This, however, does not have any connection with DISY's socio-economic views. Certainly, anyone who loves Greece does not do so because he is an extreme Rightist. We equally love present-day Greece that has a socialist government. And we are glad because other political forces have recently begun to reckon with and look toward Greece.

"As for the allegation that is being put forth by AKEL's leadership and that is being imitated by Mr Kyprianou, namely that DISY is 'extreme Rightist,' we answer: Let them show us even one economic or social position or proclamation of DISY that would support their charge.

"To the contrary, DISY is the most mass pluralistic party in Cyprus. Within its ranks are all social strata and professions: farmers, businessmen, employees, professionals and others. We are the only really pluralistic party of Cyprus.

'AKEL's leadership is trying to scoff at the pluralistic nature of DISY. It does not bother us that the representatives of communism are against pluralism. That is what the one class Stalinist mentality commands.

"AKEL's Stalinist leadership claims that a party cannot express many social strata and professions. We answer them that the mass pluralistic parties in the democracies do not express one class or one profession. That role belongs to the various trade union branches, to the professional organizations and generally to pressure groups.

"And it is exactly the role of the pluralistic parties to lead, within their proceedings, the various economic professional interests into collective accommodations.

"In Stalinist systems, party administration subjugates all the other interests and ideas and imposes totalitarianism. This totalitarianism is imposed in the name of the working class. This method is a pure pretext.

"This is so because the Stalinists do not represent the working class. They represent only the interests of the party bureaucracy. For example, AKEL's leadership boasts that it represents the working class. However, the majority of the workers and salaried employees do not support AKEL. How does AKEL present itself as representing the working class? In addition, the party leadership does not trust even the majority of those workers who support AKEL. It does not consent in having them become AKEL members. Because in order to become an AKEL member, it is not enough to be a worker, it is not enough to support the party. You must be tested for blind obedience to the Stalinist leadership.

"We, as a pluralistic party, keep our doors open to all citizens who agree with our proclamations, to all professions and to all classes.

"That is the difference between the pluralism that we represent and totalitarianism that the AKEL leadership represents.

"DISY, as the most mass-pluralistic party of Cyprus, from its very nature is led to follow the most balanced, pro-progress and pro-popular positions."

## Economic Policy

In answer to a question on what DISY's general economic policy is, he said:

"Cyprus' economy has always been based on the strength of private initiative. A mixed economy, in which DISY believes, is a system that gives meaning to the value of the individual, that encourages financial ownership and that respects the right of property. This system is completely in harmony with the nature of the Cypriot who is hard-working, productive, inventive and progressive.

"In the past, this system had worked successfully to a point where we are talking about economic miracles. It would be a shame if today we were to permit the annihilation of the greatest capital that Cyprus has and which is the strength and productivity of individual initiative.

"Today, the economy of the country needs strengthening and a new atmosphere of confidence and security within which it would be able to once again bloom. This atmosphere could be inspired by a new government, a new leadership that will be experienced and tested and that will guide the economy with impartiality.

"The only way in which the Cypriot economy will once again find its proper rhythm and will begin to develop steadily and quickly is the way suggested by DISY. It is the encouragement of productive investments that are the prime factors for increasing the national revenue. If one were to go back to the pre-electoral proclamation of the party in 1981, one would find a series of well-studied and productive suggestions which if implemented would once again bring an atmosphere of confidence to the economy, would increase investments, would revitalize agriculture and stock farming, would improve trade and would permit the state to devote part of the increased national wealth to the granting of care and welfare to the weaker classes."

As for DISY's social policy, Mr Kliridis spoke as follows in general lines:

"DISY's ideology is based from the beginning to the end on man and his merit. Also on the unshakeable conviction that a society can progress and reach enviable levels in all fields of endeavor if it gives meaning to the productivity of man and if it encourages the merit and capabilities of every individual that is a member of this society.

"However, in order for the individual to achieve great deeds he must be given the opportunities. For that reason, DISY's social and economic policy is based on the implementation of a policy of equal opportunities. A policy that would do away with inequality and abolish injustice, without, however, offsetting productive purpose but encouraging the capabilities that every man possesses.



"This ideology, that defines the nature of DISY, gives it the opportunity of being a true party of principles independent of social classes. Our party is a multi-class party and this is no figure of speech but something that is proven by reality. It suffices to take a quick glimpse of the thousands of our members and followers. One will see mainly farmers, workers, employees of all categories, small businessmen and employers. In short, one will see a mainly representative party of the average Cypriot.

"We are criticized for being a party of capital and of plutocrats. Nothing is further from the truth. I am certain that AKEL and DIKO have more plutocrats than we.

"As a party of all the Cypriots, DISY also has a corresponding social policy. We encourage progress and the development of all citizens within conditions of social harmony.

"From its establishment in 1976, DISY has proclaimed its faith in the system of social democracy. Social democracy means respect for the value of man as a member of the social whole. It means equal rights and equal opportunities for development in every field. It means financial security and just distribution of the national revenue. And, above all, it means active intervention by the state to wipe out injustices and inequalities so that the terms social justice and social democracy would have content.

"We consequently consider as an imperative duty of the state to ensure work opportunities for all workers. Opportunities for the acquisition of proper housing by every family. To ensure free education for all. To grant medical assistance and medicines to all that need it. And generally to have such a modern system of social welfare as to effectively ensure the right of dignified living of every citizen.

"In a modern society, it is the right of the citizen to have these minimum assurances, and it is the duty of the state to grant them. Only then does the word social democracy gain content and only then does the inalienable right of each person to work and act freely and to look after his financial and social progress assume value."

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CSO: 4621/511

## SAARINEN PROPOSES NUCLEAR-ARMS FREE ZONE FOR FINLAND, SWEDEN

Helsinki KANSAN UUTISET in Finnish 22 Aug 82 p 7

[Article: "Saarinen's Proposal: A Nuclear-Arms Free Zone in Sweden and Finland"]

[Text] A nuclear-arms free zone in the Nordic countries could be attained by degrees, according to Aarne Saarinen, by means of partial solutions, since the Nordic countries that belong to NATO are not yet favorably inclined toward nuclear disarmament.

"Sweden and Finland could begin bilateral negotiations on the matter, then with the United States and then with those countries of Europe that possess nuclear weapons, for the purpose of obtaining guarantees from them for the inviolability of Swedish and Finnish territory, waters and airspace from nuclear weapons," Saarinen suggests.

Saarinen spoke on 21 August at a meeting of Swedish and Finnish communists at Kaunisvaara, Sweden.

In his speech, Saarinen also touched on the possible extension of the nuclear-free arms zone into Soviet areas, which he felt have no obvious significance considering the range of modern missiles.

Saarinen reminded his listeners that the leaders of the Soviet Union have nonetheless announced their readiness in principle to also discuss the missiles in the Soviet Union.

Saarinen also expressed his support of the proposition that a plebiscite be held in the Nordic countries on the formation of a zone free of nuclear weapons and the hope that the political parties in the Nordic countries will begin talks on the possibility of such a plebiscite.

According to Saarinen, the greatest obstacle to the realization of a nuclear-arms free zone in the Nordic countries is the black-or-white thinking in Norwegian security policy, according to which only the Soviet Union presents a threat to Norwegian security.

"This type of thinking is similar to the official thinking in the conduct of Finland's foreign policy in the period prior to World War II. That thinking led Finland into a war against the Soviet Union as an ally of fascist-oriented Hitlerite Germany," Saarinen pointed out; the example of postwar collaboration between Finland and the Soviet Union gives cause to wonder about the narrowness of the Norwegian security policy.

"If the relations among all the countries of Europe were built as those between Finland and the Soviet Union have been built over the years, the nations of Europe could then live in security, free of the fear of war," Saarinen said.

5955

CSO: 3107/176

## POLL EXAMINES VOTERS' VIEWS OF PARTY LEADERS

Helsinki UUSI SUOMI in Finnish 22 Aug 82 p 13

[Article by Seija-Riitta Laakso: "Irritating Paavo, Patriotic Ilkka...Finns Have Distinct Impressions of Their Party Leaders"]

[Text] Paavo Vayrynen is an irritating, self-important, capricious, many-featured--admittedly patriotic but self-righteous, quarrelsome and arrogant person. He is all-knowing and childish.

Kalevi Sorsa is a respected politician; he is purposeful, sensible and responsible. He is also considered insensitive and rigidly conformist.

Ilkka Suominen's outstanding feature is patriotism. He is also characterized as being purposeful and logical but also distant.

Kalevi Kivisto is kindly, sensible, responsible and purposeful. He is also considered sincere, sensitive and possessed of a sense of humor.

Those are some of the evaluations that Finns have of their party leaders, as revealed by an opinion study conducted by the Taloustutkimus Oy firm.

According to this, the most recent opinion poll, Finns do not have a very good image of Chairman Paavo Vayrynen of the Center Party. Every third Finn characterized him as being irritating and self-important. Every fourth Finn feels that he is a quarrelsome and selfrighteously arrogant person. Overnight he has acquired a capricious image.

Vayrynen was rated by all kinds of Finns, but mainly by 25- to 34-year-old white collar workers in an urban area. His supporters, on the other hand, were found among Center Party supporters in the countryside.

Those who comprehend Vayrynen can hardly be found in any of the other parties. He does not enjoy any particular favor even among other Center Party members. The demerits come most heavily from supporters of the Swedish People's Party, of whom more than half consider him irritating and nearly 40 percent, self-righteous. Also, one of every two Liberal Party supporters consider him to be irritating and 43 percent consider him self-important. The same characteristics also irritate the supporters of the Social Democrats and the SKDL [Suomen Kansan Demokraattinen Liitto--Finnish People's Democratic League].

Conservative Party members consider Vayrynen to be mainly capricious, irritating and childishly self-important. Finnish Christian Party supporters find him capriciously many-featured.

#### Vayrynen Finds Favor Among Own Party Supporters

His own party supporters characterize Vayrynen in such a different way that one would think that an entirely different person is in question. In the view of Center Party supporters, Vayrynen is patriotic, purposeful, responsible, sensible and esteemed.

Of those Center Party supporters who were interviewed, 41 percent characterized Vayrynen as having a sense of responsibility, but only 11 percent of the Social Democrat and 12 percent of the Conservative Party supporters felt the same.

Of the Center Party supporters, 26 percent rated him estimable, but only 12 percent of the Social Democrats and 13 percent of the Conservative Party. Vayrynen was rated as sensible by 35 percent of Center Party supporters, 14 percent of Social Democrats and 15 percent of Conservatives.

#### An Estimable Prime Minister

Chairman Kalevi Sorsa of the Social Democrat Party is held in esteem by 36 percent of all Finns, mostly so by the Social Democrats (51 percent) and Liberal Party supporters (46 percent) and almost equally by Christian Democrats and Communist Party supporters (44 percent). Of Conservative Party supporters, 29 percent and one out of four even of Center Party supporters have esteem for this prime minister.

Liberal Party supporters also characterize Sorsa as sensible, with a sense of humor, although somewhat rigidly conformist. Swedish People's Party members consider him patronizing and powerful, but also capricious and insensitive. Also, 42 percent of the Conservative Party people characterize Sorsa as insensitive.

The Communists and the Liberals consider Sorsa to be patriotic, but only 5 percent of the Christian Socialists rate him that way. In comparison, 1 of 10 Christian Democrats considers Kalevi Kivisto to be patriotic.

The favorable evaluations of Sorsa stem largely from the same segment that berated Paavo Vayrynen. The group that rates Sorsa the highest are the 25- to 34-year-old male white collar workers in an urban area.

The farm population considers Sorsa to be rigidly conformist, arrogant, self-important, irritating and self-righteous. These figures are smaller, however, than all those for the low ratings that Vayrynen received from elsewhere in the population.



### Suominen Neutral for Many

Chairman Ilkka Suominen of the Conservative Party is the party leader least known to Finns. He does not irritate anyone except a few Communists, and the supporters of other parties react to him quite neutrally.

The characteristic feature attributed to Suominen throughout was patriotism. Three of four Liberal Party and one of three Center Party adherents consider Suominen to be patriotic, as do 38 percent of the Communists and Social Democrats.

Suominen was rated most favorably by Conservative Party supporters, as well as the Liberal and Swedish People's Party supporters. The Social Democrats have a more favorable image of him than Center Party people. The Communists view Suominen quite distantly and esteem him hardly at all. One of every four SKDL supporters consider Suominen to be rigidly formalistic. In this opinion survey, the women had a more difficult time than the men in rating Suominen. The most favorable ratings came from middle-aged male white collar workers in cities. The weakest ratings--though not very harsh--came from wage earners.

### Kivisto Most Favored Party Leader

Chairman Kalevi Kivisto of the SKDL has succeeded in presenting the most favorable image of himself to Finns. All of those ratings of him, that cover at least a fifth of the population, are favorable.

Nearly every second supporter of the leftist parties considers Kivisto to be good natured, sensible and having a sense of responsibility. One of every three of the bourgeois parties' supporters share that opinion. And 40 percent of the supporters of the leftist parties also consider him sincere and purposeful. More than one of four of the supporters of the bourgeois parties characterize him the same way.

On the bourgeois side, Kivisto is favored particularly by Liberal Party supporters, but more than a third of the Conservative Party supporters are willing to underwrite favorable statements. Supporters of the Swedish People's Party, the Conservative Party and the Center Party, however, consider Kivisto to be a fairly distant personality.

### Party Leaders Not Considered Narrowminded

The most favorable ratings of Kivisto did not come from wage workers, as one might imagine, but from white collar workers. Those most distant from Kivisto were the farmers, but of the wage earners, more than a fifth had difficulty in expressing views about the People's Democratic leader.

The Teloustutkimus Oy opinion survey was conducted at the end of July and in early August 1982 by interviewing 1,025 persons in various parts of Finland.

The interviewees were asked to indicate which of the listed characteristics suitably describe each of four party leaders.

According to the study, the characteristics least descriptive of the Finnish party leaders were narrowness of viewpoint, irresponsibility and reticence.

Personality Characteristics of Party Leaders  
[Presumably in % of respondents]

<u>Characteristic</u>	<u>Kalevi Kivisto</u>	<u>Kalevi Sorsa</u>	<u>Ilkka Suominen</u>	<u>Paavo Vayrynen</u>
Quarrelsome	2	6	4	24
Insensitive	7	23	12	20
Purposeful	33	28	25	23
Sensitive	22	5	5	8
Many-featured	10	16	9	25
Childish	3	5	3	22
Rigidly conformist	7	21	13	11
Sense of responsibility	34	26	21	17
Indecisive	6	6	6	-
Arrogant	5	16	12	24
Patronizing	19	11	13	6
Alienating	6	11	8	14
Good natured	39	16	13	9
Patriotic	17	21	39	26
Indifferent	4	9	6	12
Leader	10	11	5	9
Distant	15	14	25	13
Sincere	28	10	12	10
Reticent	6	8	5	11
Esteemed	21	36	18	16
Narrow viewpoint	6	5	4	9
Self-important	8	15	11	33
Capricious	4	10	6	30
Cold	5	12	7	12
All-knowing	6	13	9	23
Impressionable	9	7	5	10
Vulgar	7	11	7	8
Sensible	35	26	25	18
Self-righteous	14	16	11	25
Having a sense of humor	22	19	13	11
Powerful	28	18	18	10
Irritating	8	15	9	33
EOS [as published]	18	18	26	17

## Paavo Leaves No One Cold

Paavo Vayrynen does not leave anyone unaffected. He is either loved or hated, trampled on or elevated, but no one is indifferent about him.

Vayrynen's expense account, absences in parliament, over-sleeping incidents, complete turnabouts, picayune dealings and presidential politics games have aroused strong feelings. They have aroused not only distasteful gossip but also traditional Finnish envy. The idea of a person who had everything when young always inspires rancor among the less fortunate.

Vayrynen himself accuses the news media of conducting a persecution. The faults may run both ways. The leader of the Center Party has for years caused irritation by his arrogance. He has tried to brighten his image after being dropped from the administration, but the distrust resides tenaciously in the people, as indicated by the opinion survey.

The general esteem accorded to Kalevi Sorsa may result to large extent from the position that he holds. He is the current prime minister, a long-time chairman of the largest political party and his name also has a place in the Socialist International. He is in age also more mature than Vayrynen, who is considered a stripling.

Ilkka Suominen has not been in the public eye as frequently as those who have been cabinet ministers. Nor has he been very long at the head of his party. He has not even been a member of parliament for many years. The course of his career is just beginning, and he does not yet have an accumulation of enemies.

The fact that the Social Democrats rated Suominen higher than did the Conservatives may be some kind of a sign foretelling the expected collaborating in the administration by the major parties following the next election.

Kalevi Kivisto's stock was apparently raised immeasurably by his favorable appearance as a presidential candidate in the 1982 winter election. Kivisto had nothing to lose, and he acted accordingly, with calm and assurance.

In a survey of observers during the presidential election campaign, Kivisto was rated as making the best presentation of all the candidates, leaving Koivisto in second place. That shows that it is possible for the news media to convey a favorable image, although Vayrynen may not believe that.

A striking feature of this survey is the total dispersion of opinion regarding Vayrynen. No other party leader has an image so black or white as he. Perhaps it is time for the Center Party people to reexamine their ideas about the party leadership.

The favorable ratings of Vayrynen by Center Party supporters indicate at least that if there is enough faith, then the malicious news media cannot, even with their alleged persecution techniques, have an effect on the minds of people. But then it would seem odd that the supporters of the other parties so readily believe what the newspapers tell them.

5955

CSO: 3107/176

## BERGERON ON UNION-GOVERNMENT RELATIONS, WAGE, PRICE FREEZE

Paris LE MATIN in French 4-5 Sep 82 p 6

[Interview with Andre Bergeron, secretary general of Force Ouvriere, by Jean-Louis Validire and Olivier Biffaud: "We Will Not Negotiate Prices -- In an Interview with LE MATIN, the Secretary General of Force Ouvriere Indicates that a Union Has Nothing to do with Economic Management"; date and place not specified]

[Excerpts] Andre Bergeron has very definite ideas. If the secretary general of the FO [Workers Force] does not see clearly what the government intends to do after the price and wage freeze has been lifted, he does, on the other hand -- during an interview he granted to LE MATIN --, review the things which his confederation will not accept. As he has not ceased to repeat since the wage freeze decision of 11 June, he states, with figures to support him, that by 31 October the losses in purchasing power will fluctuate between 5 and 10 percent, the ultimate limit of the wage freeze. Conclusion: the FO urges its federations to make up for losses. Should the Delors system of anticipated wages be used? Apparently not because it "does not change anything basic" to the system of catching up which exists at the present time. Should the SMIC [Interoccupational Minimum Growth Wage] be favored? True, Andre Bergeron is not against a minimum wage increase but he has fears about the leveling of the hierarchy of wages and of values. Which, consequently, makes him completely hostile to the proposals of the CFDT [French Democratic Confederation of Labor] which tend to determine thresholds below and beyond which the purchasing power would develop differently. Whatever the case, it is excluded that the FO will negotiate prices.

[Question] Are you more enlightened now about the social return and, specifically, about the methods for lifting the wage freeze?

Andre Bergeron: Pierre Mauroy didn't say anything specific about this. I have stated that the loss in purchasing power would be between 5 and 10 percent, depending on the branches. The wage freeze period is only four and a half months long, but in reality it is often much longer because the increases which were supposed to take place after 11 June were suspended even though

they covered a previous period of 2, 3, even 6 months. I am not saying that it will be 10 percent across the board, but I affirm that in most cases, by the time the freeze is lifted the loss in purchasing power will be at least 5 percent.

[Question] What do you propose in terms of this lifting of the freeze?

Bergeron: We will recommend that our organizations ask everywhere for the opening or reopening of negotiations with the objective of maintaining purchasing power.

[Question] What will your position be if the employers take up the system of anticipated wages advocated by Jacques Delors? Are you in favor of this?

Bergeron: Does that mean the Delors system? This means that they will anticipate wage hikes in function of price hikes as they result from the assumptions made by the government. Aside from this, nothing has changed. Purchasing power must be maintained relative to something, which can only be the price index.

[Question] One could conceive that there might be remedial clauses.

Bergeron: Of course, but once again this does not basically change anything. Would you tell me what the difference is with the current system?

[Question] Jacques Delors says that his mechanism is less inflationary than the remedial system a posteriori...

Bergeron: I'll accept that, even though it remains to be proven.

[Question] Did Pierre Mauroy give you a clear explanation of what he means by the overall maintenance of purchasing power?

Bergeron: It involves a differentiated maintenance and does not apply to all remunerations. In the spirit of the government, you can go a little higher than the simple maintenance of purchasing power for the small and medium categories, and remain a little below for the higher categories. But where should the dividing line be located between the small and the large ones, because the situation is not the same among the various industries and especially the various regions. All the agreements we have signed over the last 15 years have foreseen larger increases at the bottom than at the top. Today, we must not go any further for fear of falling into an egalitarian system which will lead to paying for an unskilled laborer and an engineer in the same way. I am obviously not against an increase of the SMIC, but to the extent that it is increased, year after year, without touching the rest, we run the risk of coming to that. The hierarchy of values must be maintained.

[Question] Does that mean that you are hostile to the proposals of the CFTD, which determines the threshold below and above which purchasing power develops differently?



Bergeron: Those are just words. I don't believe that one should use theoretical or mathematical formulas at the top while ignoring the realities as they exist in the enterprises. The reaction in our organizations is very clear in this regard.

[Question] Aside from the lifting of the freeze, two large files remain: unemployment insurance and social security. What is the situation of UNEDIC [expansion unknown]?

Bergeron: We now know the amount of the supplementary state participation in financing it: 8 billion francs thanks to the solidarity measures, according to the government. The expected deficit for unemployment insurance up to the end of 1983 is on the order of 35 to 37 billion francs, which means that 29 billion francs still remain to be found. The negotiations, which will begin on 7 September, will focus, on the one hand, on a modulation of the benefits and, on the other hand, in all likelihood on a possible increase in the contributions made by the employers and the wage earners... beyond, of course, the freeze period. The achievable savings are a maximum of approximately 5 to 7 billion francs. There still remains a 22 billion franc hole. As for the contributions, the CNPF [National Council of French Employers] and the PME [Small and Medium Size Enterprises] say: "Not a penny, not a man." I say that we will not escape it. If the state were to take total control of unemployment compensation, the enterprises would not necessarily pay less. When a body becomes directly dependent on the state, it becomes difficult to perfect it or to alter it. We must preserve it at all costs.

[Question] You mentioned the modulation of benefits. Are some of them going to be reduced in any case?

Bergeron: Yes, and others will be increased. You will admit that for a union activist, wherever he is from, these are not simple problems. On the one hand, the employers want to scrape off as much as can be scraped off and, on the other hand, the union activists want to preserve -- and that is normal -- all that has been gained. In order "to simplify" the whole thing, decisions will have to be made unanimously. The state guarantees a financial balance until the end of October; this guarantee will have to be extended at least until the end of the year. As a matter of fact, even if an agreement is concluded it will be applicable as of 1 November and will require time to be put to music.

[Question] As for the contributions, there has been talk of a 1.5 point increase. Does that figure seem realistic to you?

Bergeron: A 1.5 point increase has indeed been mentioned -- 0.9 for the enterprises and 0.6 for the wage earners -- but it is still only a hypothesis. What is certain is that the employers are hostile to it and, with the problems in purchasing power, I don't have the impression that the wage earners are showing any particular enthusiasm.

[Question] Questions arise in the same vein for social security: an increase in the contributions, a reduction of benefits.

Bergeron: All of this makes me feel 15 years younger because I discussed this with Georges Pompidou. Same problems, same words and same solutions looked for. For years I have been saying that the number one problem for the future will be the financing of collective social protection, which will inevitably lead to a simple question: up to what point will people want to be guaranteed against everything and how much are they willing to pay?

[Question] The application of the ordinance on retirement at the age of 60 poses problems primarily for the balance of the supplementary systems. How can they be solved?

Bergeron: It is not impossible to imagine an intermediary system between the ages of 60 and 65 which would make it possible to complete in an acceptable manner that which the general system will guarantee. It could be financed like the supplementary retirement benefits paid by the enterprises and the wage earners. Pierre Beregovoy asked me whether people wouldn't more readily contribute to guarantee an acceptable retirement income rather than to finance unemployment. The question can indeed be raised in these terms.

[Question] Isn't the government tempted to "water down" the union organizations by associating them with the choices and with the management of the economic policy?

Bergeron: The FO will not be watered down. We will approve what seems good to us, and we will criticize what seems dangerous. This has always been our attitude, no matter what government was there. The union movement is independent of the government and of the parties or else it would no longer be able to play its role. In terms of our involvement in an economic policy, that is totally impossible. I hear said that the FO is in the process of more or less slipping into the opposition; all of this doesn't stand up. The government has a role of arbitration and the unions fulfill their task of defending the wage earners the way other socio-professional organizations carry out theirs.

[Question] As far as you are concerned then, it is not the responsibility of a union organization to negotiate or to oversee prices?

Bergeron: No. This being said, we have always wished that the state would endow itself with the means to avoid abnormal skids at the distribution level. It would be absurd to deny that wage hikes and the evolution of the price of raw materials have an influence on the process of price formation. I am well aware that the communists criticize me when I say this, but it is not the employers who told me to say it. Taking the freeze into account, the enterprises' margin of maneuver has become narrower. This is the reason why I am convinced that beyond 31 October, this policy would become dangerous in the area of employment. I am in favor of moderation contracts freely negotiated between the branches of industry and the government. To continue the freeze would inevitably lead to an increase in the number of job seekers on the order of 100,000 to 150,000 individuals. Not to mention the risks of a Poujadist like reaction among the middle classes, the consequences of which are usually more serious for the Republic than those of the traditional strikes by wage earners. The government must recognize this and besides, it doesn't matter much what the communists think.

[Question] Before vacation, you met with the CGC [General Confederation of Managerial Personnel] and the CFTC [French Confederation of Christian Workers]. At that time there was talk of a rejectionist front. Where is this now?

Bergeron: The rejectionist front was never mentioned by either the CFTC or the CGC, nor a fortiori by us. If we organize a common demonstration, it will be based on the theme of freedom of negotiation or of the maintenance of paritary systems. The fact that we make demands does not mean that we are joining the opposition. If this were to become the way those who govern over us see it, this would be very serious for democracy. All those stories amuse me very much. For 15 years, the CGT [General Confederation of Labor] and the CFDT [French Democratic Confederation of Labor] have dragged us through the mud because we signed agreements which, according to them, were worthless. All of them guaranteed increases in purchasing power. Today, the language used is completely different, specifically about agreements which barely maintain the level of purchasing power. You have to know what you want.

[Question] At the time of the last CFDT congress, Edmond Marie wanted to contact all the groups of affiliated trade unions. Did he submit a request for a meeting to FO and what will your response be?

Bergeron: For the moment, we have decided that it was not possible to respond. Within the FO, I have the confidence of the activists and I am readily given free rein. But with a problem like this, I am obliged -- because they have asked me to -- to submit the question to the national confederal committee.

8463

CSO: 3100/945

## AVEROF ATTACKS GOVERNMENT POLICIES

Athens MESIMVRINI in Greek 6 Sep 82 p 2

[Text] Each day they tell a lie and what they say is almost inaccurate. Any deterioration of the situation they present as improvement. This strong language against PASOK was used last Saturday by ND Chairman E. Averof at Syros [Island] where he was received enthusiastically by the crowd which had gathered at the island's port.

"The prices are rising," Averof pointed out, "the cost of living increases more and more and all Greeks know it no matter what the government says. The same is true about the unprecedented drop in investments, the lack of foreign exchange and the production costs increase. This has disastrous effects especially since it decreases the competitive ability of our economy. It is disastrous because other countries with lower production costs can hurt us in various ways. Worse still, in all probability the government cannot do anything about it regardless of its wishes."

Averof referred to the unstable measures the government adopted in the economic sector and added: "who will believe what the government now proclaims?"

### They Respect Nothing

Continuing his accusations against the government Averof said that the government does not respect the equality of civil rights and follows a fickle policy in the country's international policies. "Under these critical geopolitical conditions we presently face," said Averof, "internal weaknesses can result even in loss of land where Greeks live."

"The decapitation of the administration," he continues, "did not do injustice only to persons devoted to the service of the state but it deprived the government services of experienced cadres who were replaced by persons whose only qualifications were their party identity."

"I brought up this subject (administration) so that you can understand the extent of the pressure and indecency they used for the factionalization of the state. And as if this decapitation were not enough they also undertook the mass transfers of civil servants and employees of state organizations (Greek Telecommunications Organization, Public Power Corporation) to an extent never faced by Greece even under the most corrupt governments and dictatorships."

"It is not surprising then," Averof said, "that Panagoulis, a member of the PASOK Central Committee, a minister and a deputy of the majority party, writes in his letter [to Papandreou] in part: 'The government restructure has indeed reorganized and paralyzed the state machinery and has created a situation of uncertainty and insecurity among the public employees.'"

Averof explained subsequently that the policy the government is pursuing in most sectors initiates new dissensions among the people.

"The class struggle the government promised before the elections has now become a fact, the difference being that it is not a class struggle but a struggle among Greeks who belong to all classes--laborers, farmers, public employees, small and medium-sized businessmen--Greeks whom PASOK divides in every possible way into persecuted party favorites and adversaries."

#### The Law on Resistance [Fighters]

He said that the law on national resistance does help not to forget the past and again referred to the Panagoulis letter.

"From this historic capital [Syros] of the Cyclades I again call upon the premier to weigh his responsibilities. From the high office he holds, he cannot claim with certainty that Greeks and perhaps even foreigners are conspiring against the government's work, against Greek participation in NATO and EEC without being able to expose persons and reveal the extent of the conspiracy. The Greeks are not Kaffirs. They do not live in a totalitarian state. They are entitled to know the truth on major issues which concern them and especially when the premier declares that he knows the truth."

#### Political Irresponsibilities

On foreign policy issues, Averof pointed out that he honors Yasser Arafat for the bravery he showed by remaining in Beirut to the end but stressed that Greece's prestige wanes when it appears as the only sponsor of the PLO. He also pointed out that whenever there is some abatement in our relations with Turkey there is also evidence of some coolness in our relations with Nicosia.

"In its foreign policy," he pointed out, "the government is exhibiting the same irresponsibility and peculiar actions as in its unstable economic policy. Never before, never since the liberation of Greece, have we had a government of this type."

#### Ready for Power

"The major opposition [ND] is proclaiming from this island in the Aegean that along with its task as the party of opposition it is also getting ready to assume the reins of the government. It declares that it is ready to assume power even now and to rebuild a strong state in the ruins already created."

Averof said that the speech Papandreou delivered at the Polytechnic School was apologetic and tantamount to "take what you choose." He added: "The government's



decay is not measured by organized gatherings. The criteria are different and Papandreou knows this. His leading cadres know it too and point them out. Moreover, PASOK's chairman will have a practical proof of this government's decay after the municipal election. Undoubtedly the depth and extent of the 'change' is now understood by most Greeks for whom the excellently presented PASOK visions have now been transformed into nightmares."

Responding to the Averof remarks the government spokesman said that the ND chairman will be disappointed for a second time and that Averof knows, in view of a new failure, that expectation is cruel.

7520

CSO: 4621/446

## KKE ISSUES POLICY POSITION PAPER

Athens TA NEA in Greek 6 Sep 82 p 3

/Text/ Constitutional change, abolition of foreign bases during the current term of the legislature and the withdrawal from the military wing of NATO as a first step, are three of the basic theses presented by KKE on the eve of its forthcoming Eleventh Congress.

According to the theses contained in the first chapter dealing with "Changes in Today's World and in the Struggle for Peace and Progress," the following are pointed out:

Since the Tenth Congress, socialism and the anti-imperialist forces have scored new successes against the forces of imperialism and reaction in Ethiopia, Nicaragua, Namibia, Zimbabwe, Iran, Afghanistan, Cambodia, El Salvador, Sahara and elsewhere.

The constant development and peace-loving policies of the Soviet Union and other socialist countries averted a world war during the 1970s, but with the coming to power of the republicans, the United States moved to the policies of confrontation and cold war.

In this context, KKE wholeheartedly supports the anti-imperialist unity and struggle of the Cypriot people for a just solution of the Cypriot problem according to the UN resolutions. It also believes that the peoples of Greece and Turkey have a common interest in living in peace for their progress. KKE joins with the Communist Party of Turkey and the Turkish people in their struggle to remove the junta. KKE is wholeheartedly on the side of the Palestinians and the people of Lebanon and continues to support the end of the war between Iran and Iraq and a political solution of the dispute.

The second chapter deals with "the party in the struggle for the anti-monopoly, anti-imperialist change." In this chapter it is underlined:

#### Electoral Result

Since the Tenth Congress, KKE has been at the forefront of the struggle against the foreign dependence and monopolies, while in the march for expanding the mass popular movement, the communists considerably improved their work. Nevertheless, certain weaknesses appeared relating to the implementation of a unifying policy of

the party, the selection of demands and the forms of struggle and the need for the enlightenment of the people in conjunction with the political-ideological work in the masses with its syndicalist activity.

KKE fought for holding the election under the simple proportional system and emphasized the need for KKE to enter the second distribution of votes to solidify the defeat of the Right. The slogan of 17 percent, in spite of any weaknesses, helped to underline strongly during the campaign KKE's presence as a significant political force in the country.

Insecurity, anxiety and pressing problems caused by the deep economic crisis were generated in the popular masses and especially the petty-bourgeois strata, together with the desire for change and a tendency to tolerate up to a point the vacillations of PASOK in the name of a small improvement of their position which was served by the victory of PASOK.

### Targets of Change

According to KKE, the New Democracy is going through a crisis not only because its policy was rejected by the people but also because the means of political activity were cut down. In any event, ND moved further to the right after the election.

Again according to KKE, PASOK limits itself now to the context of a modernized management of state-monopoly capitalism and to improving the terms of dependence. In effect, the government's policy does not move ahead with the fulfillment of PASOK's campaign declarations or even of its programmatic promises.

In this third chapter on "the conditions for a real change," KKE argues that a democratic government must be based on all the progressive forces that are interested in the change and must implement an immediate program of goals for change in an anti-imperialist direction relying totally on the mass movement.

The fourth chapter deals with "the targets of a true change" in which it is underlined that the Greek economy is in a state of many-sided and protracted crisis which is reflected in the conditions of the acute general crisis of capitalism. The chronic, structural problems of Greek capitalism are becoming more acute and more complex.

KKE supports an anti-monopoly economic development and in this context it is necessary:

- a. To abolish the favoritist legislation for the foreign and domestic monopolies.
- b. To implement a program of nationalizations in those branches which have strategic significance for the restructuring of the economy and the branches which are critical for large segments of the population, as well as the branches which relate to national defense.
- c. To expand the public sector with new productive investments.

- d. To improve the health and efficiency of the public sector.
- e. To develop and strengthen in every respect the municipal and cooperative enterprises.

KKE also supports an autonomous development, disassociation from EEC and the productive reorganization of the economy, proposing specific actions.

#### True Democratization

The same chapter includes the policy supported by KKE for a "nationally independent peace-loving foreign policy of friendship and cooperation toward all countries." It stresses that the PASOK government does not move toward real steps to free the country from the imperialist dependence because it does not deal realistically with the problems of disengagement from NATO and the removal of the foreign bases as the fundamental questions for the conquest of national independence. KKE calls for:

- a. The immediate withdrawal from the military wing of NATO as a first step toward the complete withdrawal from NATO.
- b. The immediate removal of nuclear weapons from our country. The removal of American bases and other foreign military installations within a specific and short timetable and in any event shorter than the term of the current legislature.
- c. The solution, through a dialogue, of the Greek-Turkish differences outside of the NATO framework on the basis of international law, the Final Act of Helsinki, and the respect for national independence and territorial integrity.
- d. Greece's decisive contribution to promoting the internationalization of the Cypriot problem for the implementation of the UN resolutions for the removal of the Turkish and other foreign troops from the island.

Finally, in the same chapter there is a third group of KKE proposals for true democratization. These proposals are:

- a. The true democratization of the state mechanism and all public agencies.
- b. The promotion of an escalating program for true democratic decentralization.
- c. The democratic revision of the constitution.
- d. The true democratization of the armed forces.
- e. The democratization and improvement in the quality of the state mass media.

The fifth chapter refers to the "mass popular movement" and analyzes the situation which prevails in several sectors as well as the activities the party members should carry on to promote the party line.

The sixth chapter deals with "party construction." This chapter contains a critique of the operations of the party organizations and notes imperfections. More specifically, it emphasizes that the first problem is the functioning of Base Party Organizations /KOB/ which often do not study the problem of their area, do not develop their political thinking to the degree necessary; they spend their time on duties dictated from above; their meetings are marked by haphazard work and rhetoric about duties and their discussion has no creative character and at times is not conducted as democratically as it should be. It is imperative to observe strictly the democratic rules of operation and to assure every member of a KOB the established right to speak freely.

Further, the text contains a critique to members in higher party organs who instead of helping the KOBs limit their guiding role to a mechanistic and not always correct transmission of the decisions of higher organs and of the party line.

The last two chapters of the KKE theses deal with the "ideological work of the party" where the improving course of RIZOSPASTIS is underlined together with its weaknesses in publishing long articles that are difficult to understand and the absence of news, and finally with "problems regarding the socialist future."

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CSO: 4621/448



## FAILURE OF PASOK ECONOMIC MEASURES ADMITTED

Athens AKROPOLIS in Greek 4 Sep 82 p 2

[Editorial: "Admittance of Failure"]

[Text] The three most qualified ministers described in bleakest terms the economic mess in every sector of the Greek economy. Worse still, they admitted that the prospects are exceedingly ominous and that any hope of some improvement is almost nil. "The public deficits are increasing at a faster rate than projected," revealed Finance Minister Koulourianos. "We are not satisfied with the developments in the balance of payments and the problem will haunt us in 1983," confessed National Economy Minister Arsenis, while Commerce Deputy Minister Panagalos provided the coup de grace with his forecast that "in the first year of 'Change,' inflation will reach 30 percent." The three ministers said nothing about the pre-electoral PASOK promises, about those grandiose promises--"we shall wipe out inflation, we shall put the organizations in order, we shall lower prices"--no, the three ministers said not a single word about them. What could they say? That all these were but preelection fireworks? The people have already sensed it. Koulourianos reaffirmed it when he said 2 days ago that "...an effort is being made but I do not think that there is a specific plan or program." It was admitted, in other words, that "the 100-day programs" and plans for Greece to become the "land of promise" were plain senseless talk, and that since PASOK assumed power it has devoted itself to all sorts of amateurism, experimentation and acrobatics which it presented to the people as...socialist innovations. All these were clumsy actions which blew inflation to such heights that it brought desperation to all people including the "kopsokherides" /those who are now wishing God had cut off their hands before they voted for PASOK/ and the non-"kopsokherides," who are now being called upon by our socialist government to meet their daily expenses with the famous cost-of-living readjustment which this year has reached the astronomical figure of...700 or 800 drachmas per month. The salary earner and the worker will meet with this amount--according to the logic of the "braintrusts of Change"--the cost of living which is fast rising and the anticipated price increases for fuels, electricity, water, telephone and foodstuffs. They /PASOK/ will now justify it as a cost of living adjustment (only the cursed Right was doing such things). They will tell us that there is "need to meet the deficits and the balance of payments, to revitalize the market and trade in order not to be choked--together with other factors--by unemployment." However, the admittance of the thunderous failure in the economic sector is an indication that perhaps the government has decided to change its course. Moreover, there is no other solution now that the country is in such an economic mess: /The government/ should be

realistic. It should abandon its socialist hallucinations and the destructive experimentations in order not to have us believe that we will be eating with golden spoons as it has promised us, since no naive people exist anymore to believe such a thing, but at least to stop the downslide albeit at the edge of the cliff. If it can persuade us that indeed it is undertaking such an effort it can rely on the cooperation of all people.

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CSO: 4621/450

## PASOK HARDLINERS CRITICIZED AS ANACHRONISTS

Athens AKROPOLIS in Greek 4 Sep 82 pp 1, 7

[Editorial: "The Mistake"]

[Text] There is no question that the country needs changes. Therefore, it needs a party--an agent of reformation, just as it needs a conservative party--an agent to maintain traditions and vested rights. This rotation of parties in governing the country would make the parliamentary system operate normally. The resultant outcome of their policy would be the sound progress of the country which would combine real progress with tradition.

The results of the 18 October 1981 elections show that a large sector of the people understand or intuit this truth. Yet, things are not developing well. Why? Where does the mistake lie?

In our opinion, the mistake lies in the false notion which dominates PASOK about change. Not all its followers accept this notion. On the contrary, those fostering it are in the minority. They have the support of the non-PASOK Marxists. They were also aided by circumstances, and they imposed it up to a point--at least in theory, that is, in ideology, sloganeering and the party's program. They fixed its "visions" thus entrapping it in a situation contrary to reality, a situation which rejects these unrealistic, unfeasible and dangerous "visions."

What is this notion we speak about--the notion that "change" is a reversion--that we must proceed with a "rebellion" of the "nonprivileged" which will demolish every "establishment" and will "reconstruct" from top to bottom the economic, political and social setup with "tests," changes of a revolutionary type?

All these ideas belong to the past century. They are ideas which somehow survived until the prewar period. Today, however, they are obsolete. They represent a dangerous anachronism and instead of bringing progress they lead to retrogression. Wherever the implementation of such ideas was attempted, the results were very negative: one-party totalitarianism, dictatorship, economic destruction, and lower standards of living.

In our era, "revolution" does not mean nationalization. It means the meaningful exploitation of private initiative. Progress is not socialization. It is the incorporation of a sound social spirit in private enterprise. Ameliorative change

does not mean abrogation of the individual. It represents the social orientation of his activities. An example: A nationalized bank is a failure; it exploits its stockholders and its depositors. The sound solution: the private bank which is socially controlled and oriented, which gives bigger dividends to the stockholders and greater interest to its depositors. At the same time, the private bank will provide numerous, long-term, low-interest housing loans; it will finance public works such as the construction of modern settlements or the renovation of the central areas of cities.

The PASOK "hardliners" are anachronists. They live in past eras. They are reactionary. In trying to impose their old and dead dogmas on the governing party, they lead it to failure. At the same time, they destroy the opportunity for the development of an effective agent of progress and the possibility of a productive functioning of parliamentarianism.

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CSO: 4621/450

## ND CHARGES SECURITY FORCES' TAKEOVER BY GREENGUARDS

Athens AKROPOLIS in Greek 1 Sep 82 pp 1, 7

[Text] New Democracy Deputies K. Sapsalis, S. Gikas, G. Bougias, G. Manikas, I. Vougiouklakis, I. Stathopoulos and Kh. Ermeidis charged in an interpellation they submitted to the ministers of justice and public order that a group of greenguards has taken over the administration of the security forces.

In their interpellation the deputies warned that the increase in crime and the complacency in policing are due to the government's intention to subjugate all the Security Corps to the party machines. The deputies are alluding to the existence of an 8-member "directorship" consisting of a brigadier general, a lieutenant colonel, three majors and three captains who have in fact replaced the Service Councils. The full text of the interpellation is as follows:

"A slackening in policing and an increase in crime have been noted recently throughout the country, especially in the capital area, while the Fire Fighting Corps and the Rural Police have been weakened. We believe that this is because of the following reasons:

1. The massive [transfers] of important or minor cadres in all corps resulting in the disorganization of many services of order and security (except in policing Kifissia Boulevard). These transfers are not made on the basis of service criteria. (The transfers of officers 3-4 times within 10 months cannot be understood as being of service character.)
2. The decrease in morale and service interest on the part of police personnel which the state does not defend against attacks and insults by citizens.
3. The fact that no immediate measures are taken by the state to deal with law violations and offenses against state servants--violations such as, for instance, the giant wall posters advertising that "the cops sell narcotics."
4. The information leaked by government sources concerning the abolition of laws which protect the policemen--the very protectors, that is, of public order and democracy.
5. The weakening or abolition of police services (with the exception of police dogs which are deemed necessary at the present time).



6. The cultivation of a climate for disputes between officers and men resulting in weakening or eliminating discipline and unity among them.

7. The cultivation of a climate of insecurity especially among officers "who are waiting for their turn for transfer or dismissal and to the spreading of rumors about merging all corps and transferring the Rural Police to the Local Self-Government."

8. The strengthening of the impression that all Security Corps are no longer being commanded by their natural leaders but by a group. For many this impression has become a certainty following the removal of the leaders of the three Security Corps.

9. The irregular and illegal actions or omissions such as convening the Service Councils within the legal deadlines and the participation of retired commanders in performance rating councils, etc.

"The Directorship"

10. The complete weakening of authority of the new Securities Corps commanders who are now taking orders from a small group of (already known) officers.

11. The elimination of the Service Councils and their replacement by the aforementioned small group consisting of a brigadier general, a lieutenant colonel, three majors and three captains of the security forces.

12. The coercing of officers to propagandize the work of..."change." Certain officers have already submitted to such coercion.

13. The lack of a program for procuring materiel and to the transfer of related appropriations.

The ministers of justice and public order are asked:

1. How many high and low-ranking officers have been transferred since 18 October 1981 until now and under what criteria? They are requested to provide related figures.

2. What measures has the state taken with regard to the above cases (paragraphs 2 and 3)?

3. Are the observations made in paragraphs 4 to 9 above true or false?

4. Is it or is it not true that former Gendarmerie Chief Khristos Rizas has submitted his resignation?

5. Is it true or false that former Chief of Cities Police M. Laos reacted to the wholesale transfers invoking the outright undermining of the service's interests?

6. Is it true that the Gendarmerie Service Councils have not yet been formed and have not held meetings within the legal deadlines?

7. Is the KATHIMERINI article of 3 November 1981 on transfers of Cities Police officers true or false?

8. Why are all transfers announced step by step and not at once?

9. Who gives the orders for transfers and how do they give them to the /services'/ chiefs?

10. Are such orders written or are they given by telephone or through the use of teletype machines?

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CSO: 4621/450

## ATHENS PAPER ON RELATIONS WITH ALLIES

Athens AKROPOLIS in Greek 5 Sep 82 p 6

[Editorial: Greece and the Allies]

[Text] It would be wishful for us to be able to survive as a nation without having need of anyone. That is, to be able to insure our independence and our territorial integrity by counting exclusively on our own forces. That there would be no need for us to be part of any alliance. Unfortunately up until now something like that has not become attainable. Our country is in the center of one of the most sensitive spots on the planet where the "games" of the powerful are played. We have the misfortune of being in a "bad neighborhood" which does not stop and, from all appearances, will not stop to create for us problems and dangers. And solely for these two reasons we are obliged to join forces with peoples with whom we have common anxieties, dangers and problems. A prerequisite for such an alliance to correctly perform its mission is the mutual trust among its members. We are doing everything we can to cause mistrust among our allies. We mean precisely the foreign policy which for the last ten months the PASOK government has followed. The most authoritative news agencies discuss the confusion created by the continuous about-faces of Mr. Papandreu. And why should there not be confusion? We began with the slogan "out of NATO." Before a month had gone by after the elections, in the now famous interview of the premier on American television we spoke about "guarantees of our borders." A few months went by and we abandoned this demand. Then a few days ago we heard Mr. Papandreu tell us that "we belong to the Atlantic Alliance and within it we will develop a multi-lateral policy." From that unyielding "close the bases" we have now come--and very rightly so--to the decision of negotiating with the Americans. The same thing happened with the EEC. We have forgotten the "out of the EEC" and the "special relation" and we ask a "more favorable consideration." No one doubts that these last positions of Mr. Papandreu are for the national interest. It would be sufficient not to hear him shift again within a short time. Was it really necessary for us to go through so many contrasting positions in order to arrive at the point, ten months late, where we can perceive and adopt a correct foreign policy? How do we expect our allies and partners not to go crazy? Even we are about to lose our minds because we have not yet understood exactly what "Change" means and exactly what its policy is. Until just a little while ago we thought that we had plain socialism. Day before yesterday however, our premier informed us, in introducing Mr. Mitterand, that it is Democratic Socialism, but officers of the PASOK, who evidently were not satisfied by the definition, hurried to explain that the line (which one of all?) of Mr. Papandreu is... elastic realism. Let us be a little more serious, gentlemen...to us, to our allies and to yourselves.

## OBJECTIVE OF DIALOGUE DISCUSSED

Athens AKROPOLIS in Greek 4 Sep 82 p 1

[Editorial: Dialogue]

[Text] Democracy cannot survive without dialogue. It is not a contention of ours but a historical law. Whoever takes one look at the history of various democracies will find the proof. The democracies which promoted dialogue lived. The democracies which maintained no dialogue died.

In our country democracy has no dialogue. Government, official opposition, parties, newspapers, professional and other organizations maintain a parallel monologue. Everyone attempts to impose his views, not by convincing with his actions but by yelling louder.

Everyone is responsible for this situation and everyone should work to put an end to it. First the government. It must become aware that it is the object of criticism. Because it must be. Woe if it were not! It has the duty to pay attention to this criticism, to take it into consideration, to respond, to talk. For this reason it should forget the usual type of reply to criticisms "The ND does not have the right..." Or "Mr. ... is the last person who could..." Because in a democracy everyone has the "right" to judge and to criticize. The unacceptable characterization of criticism as "dirty pool" betrays an antidemocratic mentality! Neither is it permissible for ministers to assert that "nobody can disagree" with their policy. Because no matter how you put it, they can! Or, even worse, to threaten the dissenters with crushing them. God forbid and democracy too!

But even the opposition, and first of all the official opposition, must contribute to the creation of a dialogue. Just a simple, continuous reply to every government action does not lead in that direction. There is a need for "postures." That is, concrete proposals, conducive to dialogue and the seeking of dialogue, for example, with an effort to work out an interparty policy on certain subjects critical for the nation.

The same goes for the professional classes and various organizations. Let them make dialogue their first objective and even if they do not win, they will not lose in any event because the country will profit.

## RADIO AND TELEVISION PERSONNEL VOICE CONCERNS

Athens I KATHIMERINI in Greek 31 Aug 82 p 2

[Text] An atmosphere of fear, uncertainty and mostly of divisiveness and vengeance prevails at ERT [Greek Radio and Television] according to charges by an employee group which calls itself "Solidarity" whose members were the leaders of the strike of 3 March 1982 called to prevent the dismissal of 55 of their colleagues from the institute.

In a statement, "Solidarity" denounces that "during the years of the previous government, all of us were able to express our views freely and many times we severely criticized its policy and representatives without risking any consequences. Today we talk in whispers, those of us who do not belong to PASOK, and we are in fear for our jobs because of our political beliefs. Who could expect that in a regime of social democracy, the record-keeping of the Right, which caused so many problems in the past, would be operating in a manner worse than before. Worst of all, what is happening at ERT is that there already has begun to smolder a mood of vengeance, a fact that now creates obstacles in the operation of the station and bodes unpleasant developments for the future. Finally, there are reliable reports that dismissals are being contemplated for members belonging to unions of the opposition. The reports are the same for YENED [Armed Forces Information Service] which now will become ERT-2 and that the dismissals there are more extensive. The situation is gloomier if one considers that the minister to the Premier now has the authority to terminate without compensation a contract employee."

"Solidarity" calls on the unions of ERT and YENED to continue their vigilance and to demand from the administration of the two stations to go on record with a statement that they will not do anything affecting any of their personnel. "We demand that the government protect them because all of them work in order to make a living." They also demand that any deputy represent them in the Chamber of Deputies in order to have protection and effective help.

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## PRESENT MAKE UP OF PARLIAMENT

Athens I KATHIMERINI in Greek 8 Sep 82 p 1

[Text] Yesterday, with a statement made to the presidency of the Chamber of Deputies, former deputy minister of Interior, Mr. St. Panagoulis who was ousted by PASOK, declared himself independent. In his statement, Mr. Panagoulis declared that he remains an independent socialist and that he will attempt to express the aspirations of the underprivileged and especially of the workers and youth.

After the departure of former deputy ministers Mr. G Petsos and Mr. St. Panagoulis from PASOK the party forces in the Chamber of Deputies are as follows, reflecting the alignment with which they will appear at the opening session of that body next month.

PASOK	170
ND	110
KKE	10
KODISO	1
EDA [United Democratic Left]	1
Agrarian Party	1
Independents	6
Total	<hr/> 300

KODISO [Party of Democratic Socialism] is represented by Mr. G. Plytas who was ousted by ND. The EDA [United Democratic Left] by Mr. M. Glezos who was elected on the PASOK ticket and cooperates with it. The Agrarian Party is represented by Mr. K. Nasis who was elected on the KKE ticket and cooperates with it.

The independents are: former premier Mr. P. Kanellopoulos and Messrs. Ap. Theotokis and A. Kokkevis who were elected on the ND ticket. Mr. G. Mavros elected on the PASOK ticket and Messrs St. Panagoulis and G. Petsos.

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## BRIEFS

MINISTER DISCUSSES POLICE FORCE NEEDS--Within a short time the Ministry of Public Order will purchase five 8-seater helicopters which will be maintained by Olympic Airlines as the Army Air Force. According to Public Order Minister I. Skoularides the purchase is within the framework of better policing the country. He added that there is a provision to add 5,000 men to the Gendarmerie and about 4,000 to the Cities Police and that the opportunity exists for training these men especially in the Gendarmerie. He said that for properly policing the country the Gendarmerie needs 8,000 gendarmes, 300 warrant officers and 800 second lieutenants, while the Cities Police needs 5,000 men and the Fire Fighting Corps 4,343. Skoularides added that the government intends to improve the intelligence level of the Security Corps and for this reason only graduates of lyceums and gymnasiums will be accepted. He added that this year similar courses will be taught in the Gendarmerie and Cities Police schools; that the courses in the Fire Fighting Corps will be different and revised; and that all students of these schools will learn to drive. He let it be understood that a uniform school for all corps will be established in the future. [Text] [Athens AKROPOLIS in Greek 8 Sep 82 p 3] 7520

DATA ON GREEK POPULATION IN TURKEY--"Only 5,000 Greeks remain in Turkey out of a total of 253,000 who lived there under the 1923 Lauzanne Treaty following the Asia Minor catastrophe and the exchange of populations. The rest were forced to leave their homes due to persecutions because of the Cyprus problem. As a result the Greek minority decreased by 99 percent." These data were pointed out in a lecture given by K. Konstandopoulos, professor of law at Salonica University, within the context of the tenth session of seminars in the Salonica Institute of International Public and and International Relations. "On the basis of objective statistics," added Konstandopoulos, "the 100,000 Moslems who remained in Thrace increased by 15 percent and are enjoying all rights of the Greek citizens and are represented in the Greek Chamber of Deputies and the Local Self-Government." [Text] [Athens TA NEA in Greek 4 Sep 82 p 1] 7520

TURKS, ROMANIAN SEEK ASYLUM--Two more Turks sought political asylum from Greek authorities. It involves a 26 year old journalist and a 24 year old decorator who arrived in Khios at four o'clock yesterday morning aboard a small rubber boat. They landed at the Plakes area of the island and sought refuge at a house near the shore. They were in a pitiful condition and almost fainted. According to their own statements they had been struggling for ten hours with stormy seas and miraculously were able to reach the Greek island. The two Turks surrendered to the gendarmerie in Khios. Yesterday, a Romanian subject sought political asylum in our country. The Romanian surrendered at the police station of Pytheion Orestiadon and stated that he is opposed to the political regime of his country. [Text] [Athens MESIMVRINI in Greek 7 Sep 82 p 2] 9731

ROMANIAN MUSICIAN SEEKS ASYLUM--A 26 year old Romanian musician who had arrived in Volos with the musical-dance group of Romania for the Handicraft Exposition of the Balkans, sought political asylum from Greek authorities. His name was not revealed. [Text] [Athens I VRADYNI in Greek 2 Sep 82 p 2] 9731

CSO: 4621/450

## COMMENTATOR SUGGESTS SUSPENDING AID TO SURINAME

Rotterdam NRC HANDELSBLAD in Dutch 20 Sep 82 p 7

[Article by An Salomonson: "A Second Cuba with Dutch Money?"]

[Text] Suriname has become a source of anxiety for the Netherlands. Not primarily because hundreds of millions of guilders in development money have been thrown away due to the Suriname Government continually changing its plans and halting already initiated projects, but especially because strong man Desi Bouterse has landed on a slippery slope with his politics. His government continually is getting clearer traits of left radicalism and arbitrariness.

We must hope that the waste of Dutch tax money will be restricted through intensive consultation and careful compliance with the stipulations in the treaty with Suriname. Even though one wonders how things could have gone so far.

If the political situation should get out of hand, however, will the Netherlands be able to do anything to change that?

It is almost no longer an academic question. Bouterse lost the support of the major part of the population already a long time ago. He lets his military take continually more brutal actions and tries to suppress resistance in Suriname by systematic intimidation.

The murder of Hawker has caused much bad feeling. The economy is in a very precarious situation. Rice cultivation, one of the most important branches of export, lies almost still. A commission under the leadership of Minister Naarendorp of Foreign Affairs is in the process of investigating how ties with Cuba can be strengthened. The Cuban representation in Paramaribo is getting larger and more active by the day.

With respect to Suriname, the Dutch Government has always granted the highest priority to the extent to which democracy and human rights are guaranteed. Van der Stoep, when he was minister of foreign affairs, started from the position that Suriname should not evolve "farther removed" from democratic relationships. Otherwise that would have consequences for the nature and intensity of the relations. Although that was not a threat, it was certainly a warning.

The core of bilateral relations is determined by the treaty which the Netherlands concluded with Suriname on 25 November 1975. In it, that country was promised a sum of 3.5 billion guilders in development aid for the following 10 to 15 years. Around 1 billion of that has meanwhile been spent. Around 1/3 of the Suriname budget is covered by it.

So far the further carrying out of the treaty has not come up for discussion, although the reports from Suriname are increasingly somber. If Bouterse persists in his anti-democratic experiment, however, and -- whether or not under pressure from his "advisors" -- keeps increasing the ties with Fidel Castro, the Dutch Government will face a dilemma.

Surely it won't want to invest its billions in a country that is in the process of becoming a second Cuba? It would in fact help the Soviet Union get a new point of support with that. For it is the Soviets who keep Cuba going with financial support of 8 million dollars a day. Such a new point of support, with which the line could be completed from Cuba, via Grenada, to the north coast of South America, is strategically not uninteresting to the Soviets. Tensions in the region would in any event be increased because the United States of course could not wait passively for such a development to take place.

This risk and that of how the Netherlands should align itself in the matter will undoubtedly come up in the Second Chamber in the coming budget debates on foreign affairs. Terminating the treaty is out of the question according to Dutch concepts. *Pacta sunt servanda* [pacts are observed]. What the Hague would be able to do, however, if a bunch of ex-sergeants wants to force marxism on the Suriname population against its will, is put the treaty on ice and halt the financial support.

The Netherlands of course also gives development aid to other countries where the political system doesn't please us at all. According to the going criteria, however, Suriname cannot really be included in the developing countries. After Venezuela and French Guyana, it has the highest living standard of all of South America. As a former colony, Suriname is a special case and that is also true for the financial means it gets.

A number of procedural rules have been embodied in the treaty which offer a handle to freeze the stream of money from the Netherlands (temporarily). With that, Bouterse could be put under pressure. If he dismisses the warning, the hour of truth will have arrived. Then it will have to be proven whether the Cuban model is really so attractive for his country. But without the attractive Dutch aid.

The government should not let any doubt remain on that. It should make it clear that its tolerance toward post-colonial appetite for experiments ends when the Netherlands' own or alliance-related interests are at stake. Perhaps that would be more successful than its current (though not emphatic) attempts to remain friendly with those in power and chuck their chins once in a while.

The objection to the latter approach is that the Netherlands could thus estrange the democratic and constructive forces in Suriname from itself. We have learned



a lesson in that respect When Jan Pronk visited India in January 1976 as minister of development cooperation, he repeatedly toasted in public Prime Minister Indira Gandhi and her good policy. Not long afterward Gandhi's first term of office was terminated. The frustration about her repressive policy had already reached high levels at the time. Pronk's open expressions of praise caused a lot of bad feeling among the opposition in India and did not benefit relations with the Netherlands after a change of power had taken place in Delhi.

Let's hope the Netherlands will have a more subtle approach in Suriname.

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## COMMENTATOR VIEWS FUTURE OF D'66 AFTER ELECTION LOSS

Rotterdam NRC HANDELSBLAD in Dutch 18 Sep 82 p 7

[Commentary by Political Editor Marc Chavannes: "D'66 (Democrats '66) After Jan Terlouw -- It Is Time for Ideas Again."]

[Text] D'66 members are used to saying farewell and to a little bit of dying. They don't make a tragedy of it. Old-timers who already went through it in the early seventies state cheerfully that there is no panic now. Seventeen seats were too many anyway, and: the core is harder now.

AR [Anti Revolutionary] Leader Biesheuvel with questionable justice once called Democrats '66 an un-Dutch party. Boundless optimism, boldness and an unerring feeling for modern communication techniques characterized the first D'66, that of Hans van Mierlo. Boundless reasonableness, a little less boldness and still an unerring feeling for media usage carried Jan Terlouw's D'66. Until the enchantment had worn off again.

How can a party go through such an ultra-rapid succession of highs and lows? The best explanation must be that a party which appeals to the desperation of the voter is very dependent upon desperate voters and thus more sensitive to crosswinds than parties which, as ideological vehicles, are stable on the road. But there is more to it.

The democrats in the current frontline do not want a story about the second defeat of D'66 to deal only with Jan Terlouw. Already last year the election slogan wanted to announce that there is more than Jan Terlouw only: /Get Acquainted with the People of D'66/ was the text of the exciting slogan at that time -- did you do it?

The instinctive defense of the primary candidate -- against one's will -- primarily points to the fact that a sort of we-feeling has originated which did not exist before the first defeat. But no nice lady parliamentary group collaborator can do anything about the fact that the good fortune of D'66 can be read in the eyes of Jan Terlouw. (That aggrieved head administrator on the posters last summer could never have achieved more than six seats.)

## Explosion

In 1966 the fight was against government authorities, the bastions of paternalism. Politics was too degenerated to touch. Only an explosion of the polity would bring a solution. The state had to be reorganized; citizens themselves would say what they wanted at home, in the neighborhood, at work, in the Binnenhof [The Hague government quarters].

Pragmatism as an alternative to ideological thinking was attractive to many who had grown away from the oppressive atmosphere of one confessional-political group or another. The "compelling yet restful green" conquered their hearts. Hans van Mierlo did the rest.

The bottom soon fell out. The party didn't want to be a party. Every idea was rather nice as long as it was new -- but developing it into policy was hopelessly tiring. Spontaneity was too precious to give up for a serious form of organization. The type of people who felt attracted to the partly fashionable, partly fundamental settling with pre-war Netherlands was allergic to the leadership. Thus there was hardly any leadership.

The first D'66 ultimately just blew itself up. When pragmatism turned out not too be enough, Van Mierlo was already one stage further. "I opt for the PvdA [Labor Party] with a pistol to my head." That resulted in the "insane adventure" which protected the PvdA from death through hardening of the arteries and reduced D'66 to a post office box with 300 members and an even greater amount in debts.

## Van Agt

The question is whether the freethinking-democratic fire would even have been kindled again if [prime minister] Van Agt had not removed Glastra van Loon as secretary of state for justice. That experience with the administration in the Netherlands gave Van Loon inspiration to try once again. As the leader of an idea, he led the journey toward a new spirit.

Enough people appeared to have been attracted by the search for a human image between the unfeeling individualism of the VVD [People's Party for Freedom and Democracy] liberals and the PvdA socialists' dogmatic and arrogant sticking up for the oppressed. Democratization of day to day living had not been completed yet, and they did not feel at home in other nests.

Jan Terlouw became the embodiment of that second D'66. In a reserved manner he was able to express an attitude which was non-confessional, non-greedy and willing to cooperate. Four years of opposition to the Van Agt/Wiegel cabinet provided the opportunity to blossom nicely toward the left, in the lee of the frustrations over the missed opportunity of 1977 which kept [Labor Leader] Den Uyl and Max van den Berg busy in a sapping conflict. The risks of reasonableness only surfaced after the chamber debates of 1981.

D'66 gets 17 seats. Meanwhile the party has 15000 members, a newspaper and a scientific bureau. It thinks it is mature enough for responsibility. Terlouw personally has watched the game at the Binnenhof sufficiently, perhaps because he himself -- coached by the natural talent of Ernst Bakker -- plays the game unerringly. He unfolds nice manners rather than new ideas, but the voters are not yet upset by that.

## Power

As soon as the struggle for real power starts, things start to go wrong. Van Agt and Den Uyl are harder and have more patience. D'66 is given departments which do not interest many followers; the real D'66 department, Environment, is skillfully degraded into Mrs Gardeniers' hobbyshop by Van Agt. Terlouw makes the mistake of letting himself be countered in Economic Affairs (first earn money) by Den Uyl in Social Affairs (first provide work). Thereby the left-of the middle image is destroyed, incorruptibly but disastrously.

After 5 weeks, the cabinet for which D'66 had such good predictions collapsed. Terlouw is permanently changed, very disappointed in the PvdA. He has been unable or unwilling to explain the entire process to his party. "From the first day in his post as minister he disappeared from all the discussion circles of the party," says a prominent D'66 member. The unwillingness of D'66 people to organize is having its revenge again. Neither the administration nor the parliamentary group has been able to do anything about the loss of contact. Zeevalking (the "row of bushes" of Amelisweerd) and Ineke (humpty dumpty) Lambers regularly tread on the environment corns of the party. Only Van Mierlo has a political advisor who prevents mistakes.

The economic crisis, which had been observed precisely at the department of Economic Affairs, has aroused sentiments in Jan Terlouw which are fundamentally D'66 sentiments: discussing investments, criticizing politics, hammering on hard measures. The PvdA really didn't have to do much in front of or behind the chamber drapes in order to finish Jan's destruction. Crisis in May '82 on the CAA [Christian Democratic Appeal] side is no longer a surprise.

## Apolitical

The apolitical guardian of gas prices had already lost contact with his party associates months before, but something snaps when Terlouw announces in June, a la Van Agt, that his party no longer wants to block a CDA/VVD cabinet. He doesn't want to be put at the negotiating table again with bound hands.

The party is furious. Something has snapped. The bizarre July congress of D'66 recoils from the party's decapitation and Terlouw, from the loneliness of his political inner life, reconsiders his decision to leave. It will be a departure in stages. He gets onto the election path again, but he is no longer the idealistic son in law of before. A pity that Economic Affairs doesn't come up with its own list.

The 8 September death blow is still hard to take. The leader who is no longer a leader keeps his calm before the cameras, but insiders cannot imagine that he will be able to survive the credibility crisis which he and his party are going through.

If the party is to revive, most people at the top think, D'66 should do what it was the strongest at: having ideas. And combine that with a somewhat more realistic view on power. D'66 should resemble the AR a little more, sighs a member of the chamber who has to clear out.

Democrats who have been with D'66 longer don't doubt the permanent role of their party. "Where others are primarily interested in sharing the power, one party must continue to be interested in dividing the power." Five to 10 percent of the voters continue to feel the need for a party of "enlightened intellectuals who are foolish enough to make a program which hurts their own purse," as another old-timer predicts.

Man lives by hope.

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## OZYORUK EXAMINES PROSPECTS FOR BICAMERAL ASSEMBLY

Istanbul TERCUMAN in Turkish 4 Sep 82 p 6

[Text] We have learned that in addition to their requests that the number of elected representatives be fixed at around 450 or 500 by the new constitution, certain members of the Consultative Assembly have presented amendments pertaining to a return to the bicameral assembly system. I have not had an opportunity to see any of these amendments or to read any of the reasoning upon which the request for a bicameral assembly is based. For this reason, I am merely trying to discover in my own mind the rationale behind proposals of this kind. The bicameral system has been tried in Turkey for a period of 19 years. During this period I have seen it scorned by the very people who introduced it to Turkey and who later said that it had not been successful. I have also seen that no one has come out and defended the system or spoken about the need to preserve the system even if this would require certain modifications and corrections...

Bicameral assemblies may be based on a need or desire to maintain a certain tradition of popular representation, or upon the federalist structure of the state. As was the case of the experiment which took place in our country, an attempt may be made to place a bicameral assembly upon a rational foundation. An upper or superior organ of representation evolved in societies where the "population had not yet attained national homogeneity" and was divided into classes comprising the common people, the clergy (in Western nations) and the nobles. The unwillingness of the nobles to join the other classes in representing the population resulted in the evolution of the senate as an institution. The simplest and most current example of this can be observed in the history of England. In this case, the common people were represented in the House of Commons while the clergy and the feudal aristocracy were represented in the

House of Lords. As democracy evolved, the growing influence of the common people brought about a steady reduction in the influence of the House of Lords which finally became a symbolic institution. In other countries where the distinction between the two houses has remained for reasons of tradition, the house representing the aristocracy and the upper ranks of the clergy has been constantly pushed aside by the evolution of the common people into a nation and by the acceptance of the reality of popular sovereignty.

The federal structure of a state may constitute the second explanation and justification for a bicameral system. This would involve the representation of the people in one house while the states making up the federation would each be equally represented in the other house. The bicameral structure of today's American Congress which consists of the Senate and the House of Representatives may be perceived in this manner. Such a structure may be seen in all federal states. Federal states have highly distinct representative principles as well as representative functions that are very different from one another.

The Constitution of 1876 provided for the first parliament in our country. This parliament was called a General Assembly and consisted of a House of Notables and a House of Representatives. Nevertheless, the House of Notables did not represent a clerical or feudal class because classes such as these did not exist and have never existed in Turkish society. While the members of the House of Representatives were elected by the people, all members of the House of Notables were appointed by the monarch. Legislative authority was jointly exercised by both houses. The House of Notables was based on a rational principle rather than tradition or the feudal structure of the state. The ultimate fate of the Constitution of 1876 is well known.

There are other constitutions that like our constitution of 1961, base the senate upon a rational principle. Have such institutions proven to be useful, or not? This question would involve a lengthy debate that is not for us to conduct. We know that the senate provided for by the Constitution of 1961 was criticized by even its members who considered it to be unnecessary. The senate has made no positive contribution to the legislative branch and its function. In response to claims to the contrary, one can state nothing more than the fact that the senate has constituted a burden and a handicap to the legislative process.

Then, what is behind current sentiment to resuscitate the senate? Since no one can claim, let alone prove that the senate is of any use, we must be candid: Is it that a parliament which consists only of a house of representatives is perceived as having too few members and that the senate must be resuscitated to allow the entry of more people into parliament?

Perhaps, it is felt that the State Consultative Council "might as well be a senate" and perhaps there is a feeling in favor of converting this institution into a branch of the legislative branch. This high level organization is supposed to consist of a number of presidential advisors, and to have no more than purely consultative powers. It is not supposed to belong to the executive or the legislative branch. To place it within the legislative branch would not only disturb the legislative and representative aspects of the constitution but would also bring an end to it as a very valuable and necessary institution which we have written about on many occasions. It is almost certain that the President will be vested with broad powers. The presence of such prominent advisors of the highest level on the side of the President would serve as an extremely important and valuable safety valve for a strong executive. Perhaps it is too bad that the nature and value of that council has not yet been understood...

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## TURKISH ROLE IN IRAN-IRAQ ARBITRATION EYED

Istanbul CUMHURIYET in Turkish 31 Aug 82 p 3

[Commentary by Ergun Balci: "A Suicidal War," in "Issues in Politics" column; passages enclosed in slantlines printed in boldface]

[Text] The conflict between Iran and Iraq has in recent days acquired a very dangerous character and has begun to show tendencies of turning into suicidal war.

Iran's attack launched against Basra in Iraq during July was unsuccessful, and Iranian units were unable to enter the city. In reports appearing in the foreign press it is said that Iran suffered shortages of arms and spare parts. Moreover, it appears that in its attack on Iraq, Iran attempted to wage a so-called */"struggle of everyone from 7 to 70"/*, which it had conducted successfully in defense of its own territory, but this time without success. Inasmuch as wars of aggression require much greater professionalism and expertise than defensive wars, sending 12- and 13-year-old children and old men in their sixties against well-placed Iraqi artillery served no end other than the futile deaths of thousands of men. And since Iraq lacked the strength to mount a major counterattack and utterly rout the Iranian forces, the conflict has been locked in place at the Iran-Iraq border near Basra.

At such a stage the war seems to have taken on a very dangerous character. The two countries, unable to achieve decisive results at the front, have turned to the destruction of each other's petroleum facilities. The country more adept at this business will bring about the economic ruin of its opponent and conclude the war in its favor.

This is, in fact, the situation, but incoming reports show that if this situation should continue, the two nations may be dragged down to complete economic disaster. Thus, after Iraqi planes last week bombed Kharg Island, Iran's petroleum loading port, Iran began intensive bombing of the petroleum facilities in the Kirkuk district.

It must be noted that Iraq was responsible for the war taking this course. Iraq is bombing Kharg Island on a 10-day schedule to block Iran's foreign oil sales and drag the country to economic ruin. Iraq, further, declaring the Basra district a battlefield, has been repeatedly warning foreign tankers to steer clear of the area. It appears from incoming accounts that Iraq has had a measure of

success with this tactic. According to a report in the /international HERALD TRIBUNE/ based on oil industry sources, foreign tankers have been forced to suspend petroleum loading operations at Kharg Island. In recent days Iranian oil could not be found on the spot market in Rotterdam. In view of the current oil surplus in world markets, any threat of raising oil prices is out of the question. But the real danger for Turkey, which has commercial relations with both countries, comes when Iran responds in kind and begins bombing the Kirkuk petroleum district. It is evident that Iraq's attacks on Kharg Island, as well as Iran's bombing of the Kirkuk region, have been effective and have caused significant damage. Iraq and Iran are both friendly with Turkey and are our biggest customers. For these countries, having destroyed each other's petroleum facilities--their sole source of wealth--to lapse into a position in which they are unable to pay even their top-priority debts would without doubt seriously affect Turkey.

Moreover, reports are coming in to the effect that Iran has made preparations to launch a direct attack on the Kirkuk district in the north. If this attack is carried out, the fighting may come very close to the Turkish border and the region through which the Turkish-Iraqi oil pipeline passes.

In any event, the full diplomatic weight of Turkey must be employed to end this senseless war which is beginning to take on the characteristics of a mutual suicide operation between these two friendly nations.

If our country can play an important role in ending the 23-month-long war, then the deaths of thousands of men may be prevented, the possibility that the economic ruin toward which the two countries are being dragged might adversely affect us will be averted, and Turkey will gain great prestige as an arbitrator in the Islamic world.

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## EREN EYES MISINTERPRETATIONS OF NATION IN FOREIGN PRESS

Istanbul GUNAYDIN in Turkish 5 Sep 82 p 7

[Text] The articles that have appeared in the foreign press concerning the Constitution provide a good example in discussing the reasons for which Turkey has been misrepresented by the foreign press. The articles have confirmed the faulty practices inherent to our international communications system. In international conferences on news reporting sponsored by the United Nations, Third World nations have consistently complained about Western mechanisms for the dissemination of information. They have always been able to use concrete examples in proving the validity of their complaints. The Third World nations have demonstrated that while foreign news correspondents are often well intentioned, a lack of factual knowledge and cultural background may undermine their objectivity and push them to misrepresent factual events by converting such events into personal opinion pieces.

By drawing from the experiences of many nations, Third World nations have demonstrated that certain correspondents who are not well intentioned deliberately inject the personal prejudices they may have about the country in which they are stationed into the news on which they report. In the process, it has become clear that representatives from the foreign press often draft their reports in a manner that projects their own political leanings.

Under a five column heading, the Financial Times provided the following caption to an article written by Turkey correspondent Metin Munir and focusing on the draft constitution: "New Turkish Constitution Raises fears of a Return to the Era of the Sultans." The first sentence of the article appeared to provide more editorial opinion than information and read as follows: "The 200 article proposal



presented by the military appointed Consultative Council appears to be an effort to provide legal validity and continuity within a parliamentary framework to the currently existing military rule."

The article also states that "because of censorship and the fear of arrest, very few people are able to express their criticisms. However, it is clear from the deluge of opinions streaming to the press that a very large number of Turks are not pleased with the new constitution." It seems that the article falls into contradiction in its very first sentences. If as it is claimed, the voicing of criticism is hampered by fear, how can this be reconciled with the existence of a deluge of opinions in the press?

The criticism include Bar Association President Atilla Sav's words to the effect that "the draft proposal signifies a continuation of military rule" as well as Turk-Is Chairman Sevet Yilmaz's claim that "the draft proposal will bring about the elimination of the labor movement in Turkey." In discussing the stipulations within the draft constitution that pertain to individual liberties and the presidency, the article continued in a one sided tone that went beyond a straightforward reporting of the facts. It concluded: "It seems that the generals do not trust civilian rule and have therefore proposed military rule in different clothing." Another point of interest in this article is the repeated use of the word "general." This represents an important shift in nuance for the Financial Times which since the first day of military rule had referred to the military leadership as the junta.

In two articles about the draft constitution by Turkey correspondent Artun Unsal, Le Monde has managed to avoid editorial opinion and focused on reporting the news. Le Monde followed the lead of the Turkish press and emphasized the draft proposal's stipulations pertaining to individual liberties, the rights of labor unions and the powers that have been vested in the presidency.

After ruling that the draft proposal could lend itself to authoritarian use by partisan regimes, Le Monde begins a second article by asking "whether the draft constitution was still-born" and maintaining that "many observers in Ankara are of that opinion." Le Monde gives room to Constitutional Commission member Professor Ergin's view that "in

its present format the proposal is not worthy of assessment" and quotes unnamed European diplomats as follows:

"Diplomatic circles do not hide the fact that Turkey is likely to be faced with difficulties in connection with this situation. Until now, we had been trying to convince European capitals to adopt a less critical stance towards Turkey. We were trying to convince them and Tindemans in particular that the constitution would be democratic. The draft proposal has disappointed us. We would like to believe that it will be changed by the Consultative Council and the National Security Council." It is evident that this reporter as well has ignored a fact that is very sensitive from a standpoint of our national consciousness and has decreed that Turkey is under the obligation of conforming to Mr. Tindemans' wishes in providing for its internal order.

The Turkey correspondent of the Economist is a professional reporter and has treated the matter with the necessary objectivity. His report from Ankara begins as follows: "Like many of the measures forwarded by the military regime, the draft constitution has received the silent approval of a majority of the population but has been the subject of left-wing protests. As expected, the proposal is primarily presidential in nature and is very similar to the French Constitution of 1958 which had been put forward by De Gaulle. The draft proposal is of a kind that is likely to provide for the continuation of law and order so warmly desired by the Turkish people. It can be said that it is likely to succeed in bringing this about. The draft constitution has been the subject of unequivocal criticism from the press and from labor unions." The remainder of the Economist article objectively highlighted other items of the proposal. Turkey's unfortunate situation constitutes a perfect example of the international complaints voiced by Third World nations at the United Nations Conference on News Reporting. Third World nations have demonstrated that the international press abandons objectivity when it comes to Third World nations and that the process of news reporting is transformed into one-sided editorializing. Third World nations have demanded that this be prevented.

In keeping with the belief that governmental control of the press will give rise to even more adverse consequences, no measures have been taken against the continuation of the policy of free access in these gatherings. While it has always suffered at the hands of one-sided opinion, Turkey has

consistently voted in favor of maintaining a free press. We take pride in this as representatives of Turkey at these conferences for twenty years.

The United Nations represents an environment that is most suited to prejudiced and one-sided reporting. Secretary General Dag Hammerskjold used to have a very valid and effective policy towards such unfavorable and harmful practices. Along with the entire organization, he would show particular attention towards correspondents who insisted on behaving in a one-sided manner. For a long time, the Secretary General would provide all the information requested by such correspondents and would give priority to their questions during press conferences. If a correspondent persisted in one-sided editorializing despite such favorable treatment, the Secretary General would place a freeze on the correspondent's access. The relationship between the correspondent and the organization would be discretely curtailed, questions during press conferences would remain unanswered and invitations to social gatherings would cease. Meanwhile, all articles by the correspondent would be closely followed and factual inaccuracies in these articles would be reported regularly and without comment to the correspondent's newspaper. At the same time, correction bulletins would be sent to the representatives of all countries. In many cases, the correspondent would be recalled by his newspaper as the result of doubts about his qualifications and integrity.

Political parties and the ambassadors who are appointed to further their interests do not always make possible the implementation of such a strategy. I remember an example that took place in Turkey. While Fatin Rustu Zorlu was Minister of Foreign Affairs, the New York Times recalled its correspondent who had become excessively partial on the matter of Cyprus. In today's situation, objectivity by the foreign press is a matter that is vital to Turkey. We would like to hope that our colleagues who find their own national security in the security of Turkey will show the necessary sensitivity towards those in their Ankara offices who insist on creating a false impression and projecting a false image of Turkey by ignoring national consensus and voicing minority views and interests.

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## CONSTITUTION TO DECREE MANDATORY RELIGIOUS EDUCATION

Istanbul MILLI GAZETE in Turkish 2 Sep 82 pp 1,7

[Text] The General Council of the Consultative Assembly has accepted the Constitutional Commission's revised and resubmitted version of Article 24. This article pertains to the freedom of religion and conscience. Committee Spokesman Sener Akyol revealed that private individuals will not be able to provide religious instruction. The second meeting of the General Council began at 14:00 hours and involved the continued discussion of amendments submitted following the revision of the article.

Besir Hamitogullari submitted an amendment requesting that a specific mention be made to the fact that the freedom of religion and conscience is being guaranteed. Hamitogullari maintained that Islam is a progressive religion as long as it is not exploited. He said: "While Islam is a revolutionary religion, it is not being appreciated by those who call themselves educated. As a result, those who are educated are not able to unite with the people." Sener Akyol stated that the freedom of religion and the conscience had been secured by the commission's draft and did not participate in the amendment. The amendment was rejected.

Commission Spokesman Sener Akyol made a statement in response to questions by the members. He said that while religious education was being made mandatory in primary and middle-level schools, there would be no private religious instruction. Akyol said: "The state alone may choose to provide religious instruction. Private individuals may not provide religious instruction. In fact, there would be no need for private individuals to do so." The article was voted upon and accepted as drafted by the commission.

Article 24 reads as follows: "Everyone shall have the right to liberty of conscience, religious belief and opinion. The exercise of these rights shall not contradict public order and morality or laws promulgated for these purposes. There shall be no restrictions on worship, religious rites and religious ceremonies. No one may be forced to worship or forced to participate in religious rites or ceremonies. No one may be forced to reveal his or her religious beliefs. No one may be reproached or punished for religious beliefs and opinions or for fulfilling or not fulfilling religious requirements. Religious and moral education as well as instruction shall be mandatory in institutions of primary and middle level education and shall be conducted under the oversight and monitoring of the state. Participation in religious instruction by persons who are not of the Islamic faith shall be dependent upon their wishes. No one may contravene principles of national sovereignty and republicanism by attempting to even partially base the socio-economic, political or legal foundations of the state upon religious principles. Religion, religious sentiment and values that are considered to be sacred from a religious standpoint may in no way be exploited or maliciously utilized for the purpose of obtaining political or personal advantage or influence. Legal sanctions shall be applied in the case of public or private individuals who violate this law or incite others to do so."

A debate on Article 24 which is entitled "Freedom of religion and conscience" and which was re-drafted by the commission, took place during the morning session of the General Council of the Consultative Assembly. As he answered questions pertaining to the article, Sener Akyol who is the spokesman of the Constitutional Commission said that a definition of secularism is being provided at the beginning of the draft constitution and that "reference to the holy name of God is not incompatible with secularism."

Fuat Yilmaz spoke in favor of an amendment by Nurettin Ayanoglu and 64 others. He said that attempts had been underway for years to create a generation that did not articulate the Creed of Islam and that did not feel a need to do so.

Fevzi Uyguner reminded that the word "minority" appears in the text. He said that "There are no minorities in Turkey" and asked for the deletion of this word from the text.

In his statement against the amendment, Kamer Genc objected to mandatory religious instruction in primary and intermediate level schools. He said that religious instruction could be provided by families. Kamer Genc stated that compulsory religious education could antagonize religious factions and presented an amendment which opposed this section of the article.

Following this, Sener Akyol answered questions and presented the viewpoint of the Constitutional Commission. He said that the article would serve adequately in its present form and that the commission was of the opinion that no factional distinction existed in the country. He said: "Religious rites should be held wherever they are supposed to be held. There can be no question of bringing worship to the streets."

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## NAVY TO INSTITUTE NEW PROCEDURES, WEAPONS AGAINST SUBS

Conservative MP Bildt: 'A Direct Challenge'

Stockholm SVENSKA DAGBLADET in Swedish 2 Sep 82 p 3

[Article by Carl Bildt, conservative Riksdag member from Stockholm: "Violations Are a Direct Challenge"]

[Text] Penetration by foreign submarines into Swedish coastal waters and archipelagoes continues. During the summer months there was a series of reliable observations of foreign submarines far inside our publicized waters. During 2 recent weeks the navy has had contact with and dropped depth charges on foreign submarines in the southern archipelago of Stockholm.

It is difficult to exaggerate the importance of what is now happening. That foreign powers in this systematic and deliberate way violate Sweden's territorial integrity creates a first class challenge to our entire foreign and security policy.

For a good many years the different reports of submarines in our waters were not taken seriously. The mass media commented sarcastically about the navy's "budget submarines" and even the military leadership did not view the issue with the seriousness that it deserved.

## Turning Point 1980

The turning point on the attitudes toward these submarine violations came in 1980 and 1981

In 1980 it was noted for the first time how foreign submarines deliberately played cat and mouse with Swedish defenses. First in March off Ronneby, and later in September-October off Huvudskar in the Stockholm archipelago, foreign submarines appeared in a significantly more provocative way than previously. In spite of large naval inputs with antisubmarine helicopters and destroyers, the foreign submarines drew the decisively longer straw in these confrontations.

Following the Huvudskar confrontation a process of careful consideration began in military circles, and when Soviet submarine 137 suddenly lay there on its rock in Gasefjarden it also became obvious to the broad general public that now it was really serious.

It is now generally considered that the treatment which the Swedish government gave submarine 137 was rather "tough." But today there is reason to question whether that was really the case.

In spite of the Soviet Union's and Maj Wechselmann's (Riksdag candidate for the Left-Party Communists) stubborn attempts to claim the opposite, nobody believes that submarine 137 came into Gasefjarden because of faulty navigation. But there were others, however, who thought that it was an example of a military operation which had not been approved by the highest Soviet leadership.

Today it is very clear that that picture was faulty.

There is no official information about the nationality of the submarines which in June, July and August were observed in Swedish waters in Norra Kvarken, Sodra Kvarken and different parts of the Stockholm archipelago. A particularly reasonable assumption is, however, that a significant number of these submarine violations can be attributed to the Soviet Baltic Fleet.

Approved in Moscow

If the significantly largest submarine fleet in the Baltic discontinued its operations in Swedish waters, it would be reasonable to see a decline in the number of violations. But instead an increase is observed, and from that one can conclude that the Soviet Baltic Fleet continues with the operations which have been conducted for year: in Swedish waters.

This is even more serious. Submarine operations in the Baltic must reasonably, after Gasefjarden, in one way or another have been studied in Moscow. And still they continue! The seriousness of the challenge that they contain becomes in this way much more clear.

This emphasizes the requirement for measures which Sweden must take to show its clear will and ability to meet the threat that these violations contain.

Forget Half

In an article in BRANNPUNKT Defense Minister Torsten Gustafsson reports the different measures which the government has now taken to improve the Swedish defense against submarine violations.

There is no reason to cast doubt on Torsten Gustafsson's good intentions, and it is obviously positive that the defense minister is trying in this way to show a desire to accomplish something in this important matter.

Torsten Gustafsson counts up a number of measures which are being taken, but often forgets at least half of the truth.

- The new low voltage radar was not procured for nor adapted to submarine search. It will be many years before the system is in place, and that radar system does not have the ability to detect a submarine periscope, as the defense minister said it did.

- The navy's need for antisubmarine helicopters has the lowest priority of all the Defense Department's helicopters in the "helicopter decision" which the government approved in the middle of August. With the possible exception of some individual test helicopters the government is planning no increase of today's 10 antisubmarine helicopters during the entire decade of the 1980's. That is obviously very unsatisfactory.

- It is good that older motor torpedo boats are being converted to patrol boats, but these boats have practically no capability to detect or attack submerged submarines.

#### Total Gap

- It is good that the navy, about 1985, will get two new missile boats equipped with so-called towed sonar, but this does not conceal the total gap in antisubmarine ability which will arise in the fall when Sweden will not have a single ship equipped with a sonar suitable for antisubmarine work. We will have the destroyer "Halland" for several more weeks, but when she is placed in mothballs during the fall there will be actually nothing available in peacetime. And it will continue like that for the next 3 years.

The particularly defective ability to deal with these submarine violations is obviously not something that today's middle government can be blamed for. The defects have their background mainly in the defense policies carried out in the beginning and middle of the 1970's. For example the 1972 social democratic defense decision said that Sweden should no longer have an independent antisubmarine capability.

On the other hand the government can be blamed for an unsettled performance when it came to applying the new policies for the actions of the Defense Department against foreign submarines. Under the pressure of the administrative problems of the various military authorities they decided that the new policies would not come into effect before 1 July 1983.

#### Government Slowness

This slowness can not avoid reflecting the Swedish government's lack of decisiveness when it comes to meeting the direct challenge contained in the violations. Neither does it impress the public, which really believes in the defense requirement for a powerful performance in situations like this when slowness is definitely noted.

If submarine violations continue unopposed for a long period of time, the consequences will probably be serious.

They will be serious in affecting the confidence of the citizens in the ability of the Swedish forces, and that risks undermining the will for defense which our neutrality depends so heavily on.

They will also be serious to other countries. The countries which today conduct these operations on a large scale with great contempt for Sweden's territorial integrity will confirm that they can continue or expand them without effective Swedish countermeasures. Gradually the threat which these violations represent will become all the more serious.

#### Constant Confrontations

But there is also a risk that other countries in such a situation see it as their task to prepare and practice operations against these foreign submarines in Swedish waters.

If, for example, suspicions arise in NATO circles that the Soviet Union, in times of crisis or danger of war can utilize the Swedish archipelago for basing certain submarine forces, it is not at all unlikely that NATO will begin to practice counteroperations in exactly the same Swedish archipelago area that we have shown that we can not keep free from Soviet submarines. We are risking having constant confrontations even in peacetime between submarines of different nationalities in our coastal waters and archipelagoes.

The conclusions must be drawn, and measures must be taken. And that must happen before an already serious situation becomes even more serious.

#### New Radio Transmitter Detection Device

Stockholm SVENSKA DAGBLADET in Swedish 5 Sep 82 p 5

[Article: "New Weapon Used in Search for Submarine"]

[Text] During the past week the Defense Department has had clear indications that a foreign submarine was present in Stockholm's southern archipelago.

Permanent Secretary Sven Hirdman at the Defense Department confirmed that large resources were put into the search in an area east of Landsort.

Sven Hirdman also confirmed that the new weapon "Malin" was used in the search for the submarine. "Malin" is a radio transmitter equipped with a magnet which in the most favorable case is attached to the submarine's hull. Then the navy, with the help of radio signals, can tell exactly where the submarine is going.

"But as far as I know we have not succeeded in attaching a radio transmitter to the submarine," said Sven Hirdman to SVENSKA DAGBLADET.

The Defense Staff is reluctant to talk about what took place last week. Staff editor Valdemar Wilcke at the Defense Staff said, however, that "clear indications have been found" that there was a submarine in Swedish waters.

"But the search is now terminated. We are only watching the area. That means that we are relatively convinced that the submarine has departed," said Valdemar Wilcke.

#### Indications That Sub Was in Mined Area

Stockholm DAGENS NYHETER in Swedish 10 Sep 82 p 5

[Text] A foreign submarine was found last week in a mined area of the channel by Landsort in Stockholm's southern archipelago. The navy also fears that personnel from a foreign submarine were ashore on some of the islands in the area.

Military experts from the navy during recent days have closely investigated the beaches, islands and defense installations in the area, hunting for possible traces.

According to information available to DAGENS NYHETER at least two foreign submarines have been found during 14 days of intensive antisubmarine search--one of the submarines was found at one time within a mined area of the channel.

Military inspection of the beaches and defense installations in the area around Landsort--at the entrance to the channel to Sodertalje--was still going on Thursday. The antisubmarine search was concluded last week. The navy particularly wants to know if anyone from the detected submarines succeeded in going ashore undetected at or near the defense installations. It is suspected that this happened.

#### Two Detected

During the 14 days of intensive antisubmarine search 2 foreign submarines were detected by helicopters and naval units. At one time one submarine was sighted just beneath the surface southwest of Landsort.

An unidentified submarine conning tower was sighted at one time just east of the southern cape of Landsort.

#### Minefields

On one occasion a submarine was located submerged within a mined section of the general channel leading to Sodertalje. The antisubmarine search was for the most part concentrated in this area.

The minefields where the submarines were located were laid in peacetime. They consist of a large number of mines with several hundred kilograms of explosive in each.

The mines are connected to a station ashore by electric cables. From a fortification ashore the mines can be controlled and fired when an enemy ship passes over one of the mines.

The greatest weakness of minefields is the long cables. The greatest threat is therefore that enemy attack divers, launched from a submarine for example, could cut or destroy the cables and thereby make the entire minefield inoperational.

#### 'Malin' Used

In peacetime, minefields are marked on charts with special warning notices.

The navy's search disclosed a previously unidentified underwater craft which emitted motor sounds of an "unidentifiable character."

According to previously confirmed information the navy used a new antisubmarine weapon "Malin"--a magnetic signal mine which fastens to the submarine hull.

During the most intensive phase of the antisubmarine search around the mined area commando soldiers were flown to the islands to guard the area. The navy's submarine rescue ship "Belos" assisted in the channel.

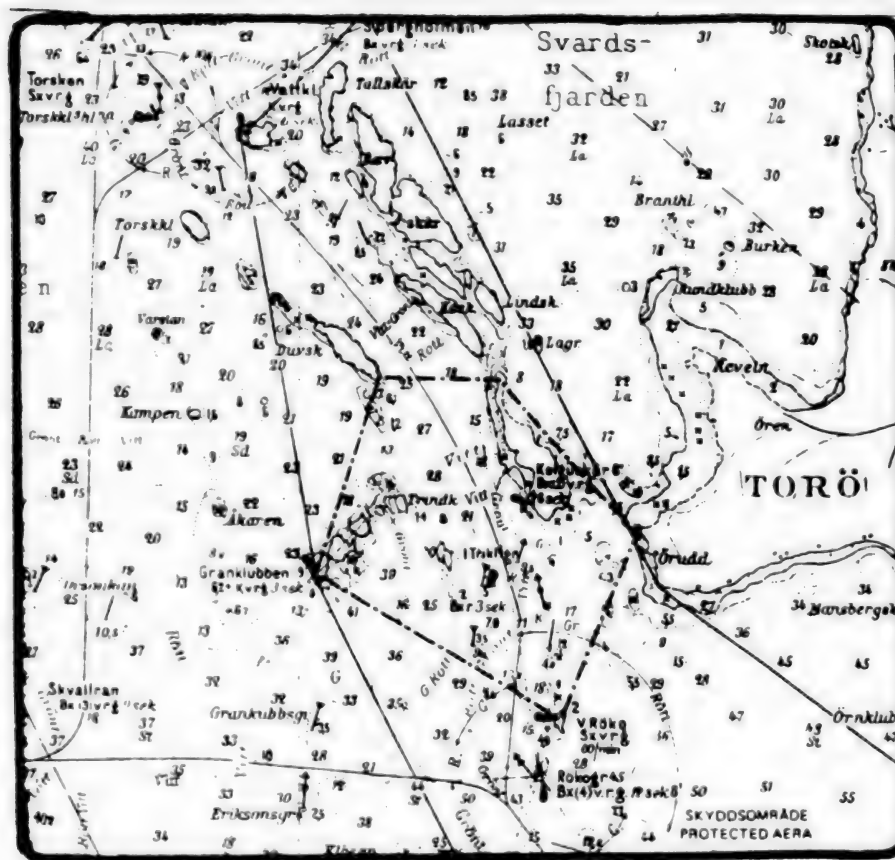
The area around Landsort is of great strategic interest. It has been visited previously by foreign submarines.

During the latest phase of the antisubmarine search off Landsort secrecy at the Defense Staff was unusually strict.

On Thursday the Defense Staff would neither confirm nor deny DAGENS NYHETER's information on the antisubmarine search off Landsort.

The Naval Staff said that "the area continues to be interesting for us."





Caption: Large parts of the area around Landsort and Toro are military restricted areas. One of the submarines was observed just inside the mine-field. Now personnel from the navy are investigating whether anyone from the submarine could have gone ashore.

#### Submarine Exercises Interfere

The navy must discontinue submarine exercises in the heavily traveled channel off Goteborg. This was demanded by the National Administration of Shipping and Navigation, following three incidents.

In February the submarine "Delfinen" very nearly collided with a Chinese merchant ship. In March the submarine "Nacken" was involved in two incidents.

Investigations showed that the submarines do not always follow regulations and custom when contacting the traffic center and other ships.

They have surfaced entirely unexpectedly and have used this very heavily traveled channel for maneuvering tests and training. Now the National

Administration of Shipping and Navigation wants to put a stop to this. The administration wrote to the nautical section of the Naval Staff, "If exercises of a special nature must be conducted in this area the ship's commander must make contact well in advance with the Goteborg traffic center."

#### New Sub-Hunting Procedures in 1983

Stockholm SVENSKA DAGBLADET in Swedish 10 Sep 82 p 16

[Article by Erik Liden: "New Rules in 1983 Says Supreme Commander"]

[Text] Farnborough--"Now is not the time to introduce new antisubmarine warfare rules. Practically, it is not possible."

This was confirmed by both OB [Supreme Commander of the Swedish Armed Forces] Lennart Ljung and Permanent Secretary Sven Hirdman of the Defense Department at the air show at Farnborough.

"We have already increased the attention paid to foreign submarines and will continue doing so until 1 July 1983, when training, weapons development, etc. are fully completed," said Hirdman to SVENSKA DAGBLADET. "All the submarine alerts are carefully followed up by the various units of the armed forces."

The former chairman of the Defense Committee, Gunnar Bjork (Center Party) is very irritated at the Conservatives' actions on various defense questions during the election campaign.

"It is disheartening that they are conducting a domestic foreign policy, which they always criticized the Social Democrats for," said Bjork to SVENSKA DAGBLADET.

On 22 September the OB will report the events of the antisubmarine search at Landsort, which is now concluded.

Together with the Defense Department, he will then explain why 1 July 1983 is still a suitable date for a more effective antisubmarine policy.

Then the new antisubmarine homing torpedo will also be available, which will complement the sound bomb "Elma" and the mini depth charge "Malin."

#### Navy Getting New Antisubmarine Torpedo

Stockholm DAGENS NYHETER in Swedish 14 Sep 82 p 60

[Article by Harald Hamrin: "'Malin' and 'Elma' Do Not Measure Up--New Antisubmarine Torpedo"]

[Text] In a short time the Swedish Navy is going to get a new torpedo which they hope will make it possible to force up foreign submarines operating in Swedish territorial waters. The new antisubmarine weapons "Malin" and "Elma" which were presented to the press last summer, and which were used during last week's antisubmarine search in the Stockholm archipelago, according to certain sources do not measure up.

The new torpedo has been designated TP42, and contains radical improvements to an older torpedo TP41 which has been in the navy inventory for a number of years. Like its predecessor, the new torpedo can be fired from submarines, surface ships and shore. Furthermore it can also be dropped from a helicopter without the aid of a parachute.

The new torpedo TP42 which is in the development stage and not yet in operational use, and the existence of which is not a secret, is designed to knock out the foreign submarine's propeller and rudder.

What is new, and what was confirmed in response to a direct question to Bertil Lagerwall, first staff editor of the Naval Staff, is that TP42 is going to be produced in two versions. In one version the torpedo will be equipped with a real warhead, and is only intended to be used in case of war or acute crisis situation.

#### 'Incident Head'

In the other and "peacetime" version the torpedo is equipped with an "incident head" with a smaller explosive charge. In this version the torpedo is intended to damage the propeller and rudder on the foreign submarine, but without causing such great damage that the lives of the crew are in danger.

Staff editor Lagerwall would not disclose to DAGENS NYHETER when TP42 with the new "incident head" will be available to the units. From other sources, however, DAGENS NYHETER learned that it is a matter of a few months, perhaps 6.

That should mean that the new and significantly more effective incident weapon will be available to naval units at approximately the same time as the new rules for antisubmarine warfare in peacetime come into effect at midyear 1983.

The new antisubmarine weapon with the "incident head" is, according to one source, a so-called sound-seeking torpedo. It is so constructed that it homes toward the point on the foreign submarine from which the loudest noise is emitted--in most cases the area around the propellers.

## 'Elma' Not Good

During the 2 weeks of searching for the one or more submarines which were in Swedish waters in the southern Stockholm archipelago at the end of August and early September, the navy's new antisubmarine weapon "Malin" was used, according to information previously reported in DAGENS NYHETER.

This weapon, which is dropped from a helicopter, is equipped with a magnet which is attracted to the hull of the foreign submarine. Thereafter "Malin" emits a sound which makes it possible to localize the submarine even though it may lie still and hide itself in a deep hole in the ocean floor, for example.

The navy has furthermore procured another new antisubmarine weapon, "Elma," which also attaches to the submarine hull with a magnet. Then a directional explosive charge goes off which blows a hole a couple of centimeters in diameter in the submarine hull. Thus the submarine is forced to surface.

It is not known whether "Elma" was used during the past weeks' antisubmarine search to the west of Landsort.

A reliable source on the subject of Swedish defenses and equipment told DAGENS NYHETER, however, that "Elma" is hardly the effective antisubmarine weapon that it was supposed to be. Therefore, within the navy, they are now waiting for the new incident version of TP42.

## Denial

As for the information in the Swedish press on Monday that military personnel from foreign submarines had landed on some of the islands west of Landsort, staff editor Lagerwall denied this.

"We have investigated the possibility that such personnel could have gone ashore, or that something could have happened with our minefields in that area," said Lagerwall. "But I can definitely deny these reports."

On the contrary Lagerwall indirectly confirmed that there previously were suspicions in that direction, something that DAGENS NYHETER reported in last Friday's newspaper. However these suspicions could not be confirmed.

## Navy Chief Asks More Antisub Funding

Stockholm DAGENS NYHETER in Swedish 18 Sep 82 p 12

[Article: "Chief of Naval Operations Protests"]

[Text] The highest military leadership disagrees about how much money the navy should receive for antisubmarine search and minesweeping during the next 5 years.

TT [Tidningarnas Telegrambyra] has learned that the chief of naval operations, Vice Admiral Per Rudberg, will next week deliver a protest to the government--a so-called dissenting opinion--against the recommendation by OB [Supreme Commander of the Swedish Armed Forces] Lennart Ljung as to how funds should be divided among the army, navy and air force.

On Wednesday of next week the OB will deliver his recommendation to the government on how much money the three armed forces should get during the next 5 years.

Lennart Ljung is going to recommend the same distribution among the forces as has been used during the last 20 years--when the army and air force each received 35 percent of the military appropriations while the navy received 15 percent. The rest went to the central staffs.

But Chief of Naval Operations Per Rudberg protested, according to information available to TT, at a very heated meeting of the highest military leadership on Thursday that the navy can not handle antisubmarine warfare and minesweeping with the funds which the OB wants to give it.

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